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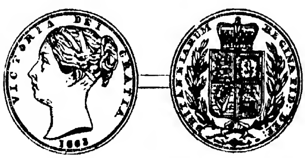
THE

# DRAIN OF SILVER TO THE EAST.

# THE DRAIN OF SILVER TO THE EAST, AND THE CURRENCY OF INDIA.

BY

W. NASSAU LEES, LL.D.

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# PREFACE.

It is a common error to suppose that *Money* is capital; and though it is now tolerably well understood by all persons accustomed to reflect on these subjects, that such is not the case,—it is, nevertheless, impossible, in discussing questions of capital, altogether to exclude money; and this is more true of India and Oriental countries generally, than of any part of the world. For, as *all capital is the result of saving*, and, in India, *saving* and *hoarding*, are, for the most part, synonymous terms, any discussion on the subject necessarily opens up the very much larger question of the distribution of the precious metals.

Towards the latter end of last year I was engaged in completing a review of an Indian subject, embracing considerations regarding

the three great elements of wealth,—*Land*, *Labour*, and *Capital;* but finding information in India on the many intricate and difficult questions liable to arise in even a partial examination of the last-mentioned branch of the subject, very defective, I thought it better to revise and correct my remarks on this head, reserving them for a separate occasion. Of this intention I acquainted my London publishers, but was advised by them to spare myself the trouble, on the grounds that, if I undertook it, I should certainly lose my labour, as the British public "seemed *determined* not to read anything relating in the most remote degree to India." This announcement was not encouraging. But, setting it side by side with the established fact of the very great difficulty of getting *forty* out of the *six hundred odd* members of the House of Commons, to listen to the annual financial statement of Her Majesty's Secretary of State, or indeed a debate upon any Indian question of importance not involving military operations or per-

sonal differences, I was compelled to concur with my publishers in their estimate of the probability, or rather the improbability, of an obscure individual being able to attract public attention to subjects, however interesting and important, when others of position and distinction had failed. I therefore flung aside my manuscript as fitting food for white ants—those voracious *consumers* of the *productions* of men's brains who discriminate but sparingly between *standard* and *base* coin.

Within the last two months, however, I have been given to understand that the question of the currency of India is likely soon again to come under the consideration of the authorities at Westminster, and this has induced me to rescue the MS., though possibly in doing so I have made a mistake. My previous difficulty — defective information — has not been removed; and I can, therefore, only say that I have revised and corrected it as well as, under these circumstances, and with heavy official duties, I have been able, adding

something bearing on the subject of the hour, the currency of India.

I have been greatly hampered in treating the question of a gold currency for India, by the fact of her trade being almost wholly with countries from which, under present circumstances, she cannot very readily obtain gold in the form of remittances; but still so forcibly am I impressed with the idea that the introduction of gold into the currency of India in some form or other is a matter of such urgency as to be a question rather of necessity than of expediency, that I trust, that if the plan I have suggested be not thought to promise success, the *idea* will not be thrust aside as impracticable, but be worked by others more competent to solve the difficulties with which I have *attempted* to deal.

Another point which I have not thought it desirable to introduce into the discussion of this inquiry; but which, nevertheless, has a material bearing upon it in regard to *hoards*, is the expediency of special loans by the

Government of India for public works, and the development of the resources of the country. The natives of India, in times of peace and good government, will always readily lend their money to Government; but they do not seem inclined to lend it to English Companies, even when guaranteed by the Secretary of State. If, then, it be desirable to draw forth the treasure in gold and silver buried in the earth, for the purpose of making it form a portion of the productive wealth of the *World*, this subject is worthy of consideration; for though the extent of these hoards has, I think, been very much exaggerated, there can be little doubt that they are still considerable.

My view of the duty of the British Government in regard to the material progress of India is, that it should endeavour to lead the natives, not *ad saltum*, but quietly and safely up to that point at which it can quietly and safely set them down; or, to use the words in the text,—*leave them alone*. The *first* step

in this policy was taken when the Secretary of State guaranteed a fixed rate of interest on railway capital; and of the wisdom of this measure I need say nothing—the fulness of time will demonstrate it. The *second* may be taken by the Government of India; and if gold can be retained in circulation, which, judging from the prices which have prevailed for the last ten years in Calcutta, I see no reason whatever to doubt, India herself has the power if she be imbued with the will, of supplying the mints with gold sufficient to keep them hard at work for some years to come.

CALCUTTA, *20th July*, 1863.

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## CHAPTER VIII.

THE

# DRAIN OF SILVER TO THE EAST.

## CHAPTER I.

### OF THE CURRENT OF SILVER FROM WEST TO EAST.

THE current of Silver from West to East has long attracted attention; still, though it set in in the time of the Romans, and, with fluctuating oscillations, has been flowing on ever since, it would seem to be as yet little understood.

Of earlier times we have no authentic information. Confining ourselves, however, simply to the present century, we have evidence to show that the East has absorbed an enormous quantity of the precious metals of the

World.* Up to 1814 no great change in the normal state of things was perceptible; but in that year, consequent on the great increase of British imports which followed the breaking up of the old East-India Company's monopoly, the flood of silver to India began to shallow, and in 1832-33 it had almost dried up. From this time the tide continued to ebb and flow with uncertain fluctuations until 1849-50, when it set in with redoubled strength, and has since been increasing in depth and breadth with such rapidity as to cause some alarm for the equilibrium of prices in Europe. Giving credit for the drain on the capital of India caused by the Home charges, which will be alluded to elsewhere, but leaving out of the account charges for principal and interest of railway expenditure, which are exceptional, the returns of trade with England and China have

* Humboldt was of opinion, that in the beginning of this century, of the estimated produce of the American mines, viz., 43,000,000 dollars, 25,000,000 dollars were sent to Asia.

for some years shown an annual balance of £10,000,000 in favour of India; and it is very natural that people should ask, "What has become of all this bullion?" But to most persons, and particularly to persons not well acquainted with the circumstances of India, the question has long been a puzzle, and consequently, replies have not been fully satisfactory. The gradual growth of the trade and commerce of India, and the steady and increased demand for money on that account; the want of mines; the teeming population; the general rise in prices in consequence of the late great demand for labour,—have all been assigned as causes for this remarkable phenomenon. But these causes seemed insufficient, because it could not fail to be observed, that no very great corresponding increase in the prosperity of the people or the wealth of the nation had taken place; refuge, therefore, has usually been taken behind the hoarding propensities and the inordinate passion for ornaments of the natives, who are

represented as locking up enormous quantities of the precious metals in armlets, bracelets, anklets, and buried treasure. It becomes important, then, that this opinion should be carefully tested, for I venture to doubt whether this drain on the effective bullion of India, especially as regards silver, has not been greatly exaggerated. True, the natives of India, men as well as women, are fond of wearing gold and silver ornaments; they testify to a certain degree of respectability, they adorn the person; but the same may be said of Italy, and of most countries of Southern Europe.

I am quite prepared, however, to admit that the propensity to turn gold and silver into trinkets may be stronger in India than in Europe. In the Punjab and Sikh protected States, for instance, few Sikhs (men) of any respectability will be met who have not a large ring of gold in each ear, on which is strung, sometimes an emerald, more commonly a pearl. Many wear thick bracelets of the finest gold.

Everywhere, *all* women who can afford it, wear ornaments of some sort or other. In most parts of India, however, the jewellery and trinkets of the females of a family play, in the economy of a household, the treble part of ornament, use, and a reserve. When one native lady visits another, the display of the dresses and ornaments of the lady of the house does not simply furnish subjects for conversation, it supplies its place; she is made to robe herself in her richest and most gorgeous attire, to put on her most splendid ornaments,—often, during the course of a visit, to array herself in many suits of apparel, with ornaments suitable for each, in succession. Her visitors, of course, admire her, and pay her many pretty compliments; and these displays not only gratify her feminine vanity, and serve to show the estimation in which she is held by her lord, but powerfully aid in keeping her out of mischief. All, according to their degree, have their proportion of jewels and ornaments, gold or silver, or, with the very

poor, what does duty for these metals. Devoid of education, dress, jewellery, and ornaments, are the one thing a simple native lady is capable of appreciating; and an Indian wife gives her husband but little domestic peace until he has yielded to her importunities, and gratified her in this respect to the full extent of his means. Nor is he, if able, generally loth to comply, for jewellery and ornaments are, as stated, if not a remunerative, a very *safe* investment. Workmanship costs so little, that ornaments are generally worth very nearly their weight in gold or silver, as the case may be. Money can always be raised upon them with a very small margin, and, consequently, in times of sudden pressure, the people of India, from the very highest to the very lowest, sell and pledge their jewels and ornaments much more commonly than people in European countries. With the rich they are the *first* security on which money is raised; the poor have generally no other security to offer.

On this point, the following extract from a decision of Mr. E. Clive Bayley, then officiating Judicial Commissioner of Oude, and now Secretary to the Government of India in the Home Department, than whom few public officers possess a more familiar acquaintance with the customs of the natives of Upper India, is well worthy of perusal.

"Not only do jewels, for the most part, belong to the male members of the family, but even in the richest families a very large portion of their substance is almost invariably invested in jewellery.

"A cultivator who saves a few rupees in a good harvest invariably turns them into a bracelet, or an armlet, for the children or women of the family. The shopkeeper, the wholesale trader, the banker, invariably have a greater or a smaller portion of their wealth invested in like manner.

"The material and amount of value alone differ. The village bunnyah will have his twenty or thirty rupees' worth of silver orna-

ments, the rich mahajun his tens of thousands, nay, in some instances, his lakhs, locked up in diamonds, emeralds, and pearls.

"No doubt these are all continually used for purposes of show or ornament, but their main use is as a hoard, or 'rest,' to provide for emergent wants.

"*The cultivator, if his plough-bullock dies, sells the bracelet which he had made up from his previous year's savings in order to replace it. The shopkeeper acts in a similar way, if he sees a sudden opportunity for an advantageous speculation. The mahajun, or the large trader, pressed to meet their commercial engagements, have at once recourse to their precious stones, and either sell or pledge them to raise the money required.* In fact, besides jewels, natives rarely purchase any personal property of value at all; the wealthiest classes, indeed, indulge to some extent in costly wearing apparel, but beyond this, their houses are usually destitute of furniture or other valuables whatever."

But if the bangle and the anklet can be

considered a "reserve," and if it be admitted that all natives invest a portion of their wealth in jewellery and ornaments, it must be borne in mind that *gold* is probably the metal most largely used. The demand for it for this purpose is very great, and it fluctuates in price so very materially throughout the country, as to render it difficult to make it, unless the standard, a legal tender. The English sovereign, nominally Rs. 10 in value, sometimes sells for Rs. 11, even in Calcutta. Silver is used by the higher and most wealthy classes for household utensils, basins, ewers, hooka-tops and stands, &c. The howdahs of elephants, chairs, beds, coaches, &c., are plated with it, and a considerable quantity is lost in the manufacture of brocades and silver leaf, which, as well as gold leaf, is extensively used by the rich. But few women of high rank wear silver ornaments in any part of India in which I have been. It is a common thing to see men of the middle, and even the lower classes, wearing necklaces of beads, coral al-

ternating with metal, and also necklaces with two or three pendent coins, but these are invariably *gold.* Every native commissioned officer in an Indian regiment wears from £20 to £25 worth of *gold* round his neck; it is a part of his uniform. Silver is seldom or never used in this way. When wealthy men bury treasure, moreover, they invariably first turn their rupees into *gold* coins, ingots, or bricks of *gold.* The Kirwee prize-money consisted mainly of jewels and these things. No doubt thousands of women wear silver bangles, but, deducting the quantity used for household utensils, the value of the silver melted into ornaments, in comparison with the value of the gold that is so employed, is not excessive. It is erroneous to suppose that the thick rings and anklets of white metal which the poor and labouring classes of women in India wear, and which they delight to surround with a fringe of tinkling little bells (*ghunghuru*), are silver; they have not an atom of silver in their composition, but are

made of a compound of lead and copper called *kansah;* and both at Patna and in Calcutta the manufacture of these ornaments is a regular trade.

On the whole, then, I am inclined to think that the quantity of silver withdrawn from circulation in India (where silver spoons, forks, dinner and tea services, which absorb so large a portion of silver bullion in England, have not yet come into common use), in comparison with the quantity so withdrawn in European countries, is exceedingly limited. But were we to admit the contrary, the fact would prove nothing. The Indian's supposed passion for ornaments is not of to-day; it existed long before Vasco de Gama landed at Calicut. A certain amount of the precious metals, therefore, has always been so employed; and estimating the volume of the stream which has been pouring into India at £3,000,000 annually instead of at from £6,000,000 to £9,000,000, or more, as it lately has been, to explain the phenomenon, it would be necessary to prove,

not that the money value of the *silver* bracelets and anklets in India now is £189,000,000, but that it is that much *more* than it was at the beginning of the present century.*

Now, where a taste for ornament exists among a people numbering 180,000,000 souls, it is quite possible that, though the amount of each individual's wealth may be small, the sum total may be very large; and, resting their arguments on this uncertain basis, persons have swelled the amount of the precious metals locked up in trinkets in India to the enormous sum of £300,000,000, or £400,000,000.†

But these estimates are as purely conjectural as they are certainly fallacious. The

* The excess of imports of treasure into India over exports for the twenty-three years ending 1851, was £74,347,287, which gives an annual average of £3,232,490.

† A writer (Newmarch) has estimated the amount at this latter figure; and McCulloch, thinking the estimate not in any degree extravagant, has, on such data, built up the supposititious theory, that the loss by wear and tear, and abrasion of ornaments alone, in India, may account for an annual drain of £4,000,000.—*See Commercial Dictionary*,—Art. East Indies.

value of the precious metals locked up in watches, plate, and ornaments in Great Britain, is estimated at about £4 a head. This gives an average of £100,000,000; and if it be a correct estimate, looking to the very scattered and limited number of the wealthy, and the very great poverty of the masses, we certainly cannot safely estimate the amount for India at the commencement of this century at more than 10*s*. a head, which would give for the whole peninsula £90,000,000. But admitting it to have been much greater, has the material progress of the country been so great and so rapid as to warrant the assumption that the amount invested in *silver* ornaments *alone*, has been increasing in such an exaggerated ratio as £189,000,000 in sixty-three years? The very arguments by which the trinket theory is supported will vitiate, I fear, any such conclusion; for, if the amount of the precious metals locked up in trinkets is greater in India as compared with the wealth of the people than in European countries, it

is not surely contended that it is so because India is *richer*, but rather because money so employed is not money spent, but *capital* held in "reserve,"—lodged, as it were, in a savings bank, to be withdrawn and reinvested as the condition and circumstances of the owners render it necessary or desirable, as very clearly explained by Mr. Clive Bayley. Since, then, the amount thus held in suspension is always *decreasing* as well as *increasing*, the tendency will be to establish an equilibrium; and the habits of the people, their laws of inheritance, their whole social system, to say nothing of the necessities of wars and famines, all tend to support this view. The ratio of the decrease, in former times, possibly may have been disproportionate to that of the increase, but I very much doubt if, in the last half century, such has been the case: on the contrary, whatever the amount of silver bullion invested in ornaments at the commencement of this century, I am of opinion that it is very much *less* now than it was then. As

dynasty after dynasty has tumbled down; as native courts, adorned with all the rude splendour of oriental pomp, have been swept away; and as the nobles and retainers, the parasites and courtezans, with which they were surrounded have been dissipated and reduced to poverty, very large quantities of silver ornaments and plated ware have found their way to the melting-pot, and thus again been brought into circulation. On the other hand, as, under British rule, guarantees for the security of life and property have become better, the incentives on the part of the natives to *hide* and to *hoard* their wealth have been gradually becoming weaker and weaker; while the necessities of the Indian government, caused by wars and mismanagement, have been continually opening to Indian capitalists fresh facilities for obtaining productive and far safer investments. Since the introduction of electro-gilding, moreover, in the metropolises at least, the natives have commenced very largely to make use of this art in the pre-

paration of their ornaments. The action of these forces may have been slow and silent, but it has been steady, and ere very long it will be more self-evident than it is at present. Not very many years ago, wealthy men in India were in the habit of keeping cash balances in their houses, sometimes amounting to a couple of lakhs of rupees, or more. In British territories, few natives now keep much ready money, and very soon the practice will altogether disappear. There can be little doubt, then, that the quantity of silver hoarded and locked up in ornaments in India, instead of being on the increase, has been steadily on the decline; and that India's national debt has increased to the respectable figure of £100,000,000, a very large portion of which represents native capital; and that thousands of natives are found to buy 4 per cent. paper at par, 5 per cent. at 9 premium, and 5½ per cent. at 18¼ premium, is not, I think, a bad proof of it.

## CHAPTER II.

### OF THE DISPOSAL OF THE SILVER WHICH HAS COME TO THE EAST.

WHAT, then, has become of the Silver? that is the inquiry; and if what is stated in the foregoing chapter be correct, the solution of this interesting and important question would seem to be rendered more difficult than before. That it is not so, however, I hope I shall be able satisfactorily to show.

In early times there was but a very limited metallic currency in India. It is unnecessary here to fix the date of its introduction, or to discuss whether the honour belongs to the Greeks, or to still earlier Hindu kings,—whether the flattened bits of silver, lead, and copper, and more rarely gold, which are found all over India, were regular coins of certain value, or mere ingots of metal. It is sufficient to state, generally, that up to a very

late period, even of Mohammadan occupation,* gold and silver were sparingly used as a medium of exchange, and, indeed, were available at all but in comparatively small and uncertain quantities, — such coinage as did exist being, at one period, composed entirely of silver and copper; while at another, gold and copper were apparently alone accessible, an amalgam of the two metals being used for coins of medium value.

Had it been attempted all at once to put a metallic currency into circulation in territories containing so large a population as those ruled over by the Great Mogul, the whole of the silver of the western world would not have sufficed for the purpose; no such attempt

* The period alluded to above is that of Ala-uddin Mohammad Shah, Sekandar i Sani, of the Khilji dynasty, from A.H. 690 to 716. According to Mr. Clive Bayley, this king got possession of a considerable quantity of gold and silver, and coined very freely indeed, after his Dekkan campaigns. "It would seem," says Mr. Bayley, "as if there had been much precious metal hoarded there. All anterior coins are extremely scarce, the silver only a little less so than the gold."

was, nor indeed could, have been made. The introduction of coin was very gradual; but, as there are no silver mines in India, whatever quantity of silver was required had to be brought from Europe. China then was known only by name; and this simple fact is quite sufficient to account for a steady drain of silver from Europe to Asia, from the time these quarters of the globe became acquainted, for currency purposes alone.

In native states, the circulation of silver coin, as a medium of exchange, even up to the present day, has been, and still is, very limited: it is confined chiefly to cities and large towns. From time immemorial, the king's lien has been on the produce, and his dues have always been chiefly paid in kind. The land revenue is, and is called, *the king's share of the produce.* Rajahs, large zemindars, and jageerdars, follow the same rule; and the transactions of the people amongst themselves are, for the most part, carried on by barter. Silver money is mainly required for frontier

and foreign trade, which is in the hands of the bankers and great merchants. In many parts of India coin is still hardly known.

With the British Government, however, the practice is quite different. The revenues of the state are collected in silver rupees, which must be forthcoming on a fixed day, or the unfortunate proprietor is sold up, and his land given to another; and it is this principle of our fiscal regulations which has tended, more perhaps than any other, to make our rule distasteful to the natives. The cultivators have *no* money. Their crops are mortgaged to the village banker, who has paid for their seed, who pays their *kists*, or instalments of revenue, to the Collector when they become due, and who takes the produce of their farms, leaving them enough to live on,—no more. But, be that as it may, the fact remains, that no sooner has the small red line which distinguishes the British possessions on modern maps been drawn round a native state, than, whatever amount may be fixed as the land

revenue of the state, that sum in silver rupees, in excess of what was before required, must be forthcoming, to be paid into the government treasury; and, consequently, for every silver rupee that is so collected two silver shillings, or their equivalent in bullion, or nearly so, must be imported into India from Europe, China, or America.

Nor do I use the words "nearly so" to signify that the amount is less; most probably it is very much greater. But, to fix the amount of the excess with anything like approximate accuracy, would involve intricate calculations, and a nice balancing of results between collections for other items of revenue, stamps, salt, &c., and the expenditure of government for public works, the payment of troops, salaries, and other money payments spent in the province, for which I have no data. To all, however, who have any insight into the constitution of the governments of native states, and the social systems of the people of India, it is quite unnecessary to

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waste words or arguments in demonstrating that, whether the expenditure of the local governments or the payments of the people be in excess, the annexation of any native state to the British territories is *certain* to be immediately followed by a considerably increased demand for silver in that province. Most of the new provinces of British India have at first been considered costly acquisitions; but until very lately it has been impossible, from the manner in which the accounts were kept, to obtain any very clear notions of the condition of the balance-sheet of any local Indian government, as the cost of the troops located in each province was usually debited to that province. Thus at one time in Bengal, to the frontier provinces, and those other provinces which from political causes required a war establishment of troops, were debited one-half, if not two-thirds, of the cost of the whole army. But this extraordinary mode of keeping accounts has been abandoned; and when statistics are better collected and

more regularly published, the British public will be in a better position to work out intricate calculations for their own satisfaction. For general conclusions we have already sufficient data.

It has been stated that, up to 1814, no very marked change took place in the normal drain of silver from West to East. Yet, though such is the case, the gradual diminution of this drain, which, during the latter half of the last, and the beginning of the present century, had assumed such alarming proportions as to be estimated by Humboldt at more than half the produce of all the American mines, dates from the year 1808-9. In 1814, however, it was suddenly checked by England sending five or six times the ordinary supply of cotton stuffs into India, and for about twenty years she continued to increase these supplies, cotton steadily gaining on silver, until 1832-33, when a very nearly even balance between England and India was struck. Things remained in this state, India still drawing large supplies of

silver from the West, but returning them to England in exchange for cotton and other things, for about seventeen years. But in the year 1849-50 a reaction took place, and silver began steadily to gain on cotton, until, in the year 1857, there was a balance of silver in favour of India of £13,160,271.

The following table shows the actual excess of imports of treasure over exports for the ten years ending 31st of April 1857, or ten days before the Mutiny broke out, and it is deserving of careful attention:—

| | |
|---|---|
| 1847-48 | £ 547,353 |
| 1848-49 | 1,664,762 |
| 1849-50 | 2,425,565 |
| 1850-51 | 3,270,521 |
| 1851-52 | 4,132,970 |
| 1852-53 | 5,776,148 |
| 1853-54 | 3,388,659 |
| 1854-55 | 761,223 |
| 1855-56 | 10,700,112 |
| 1856-57 | 13,160,271 |
| *Total* | £45,827,584 |
| *Average* | 4,582,758 |

Now turning to India and directing our attention to the progress of events during the same period, let us note whether or not we can observe in them anything likely to influence the fluctuations of this current as noticed above. In the first instance, we find that, from the middle of the last down to the beginning of the present century, or when the drain was most formidable, the Indian Government was continually engaged in warfare and the acquisition of new territories. Large sums of money were collected from the people for revenue in the territories annexed, and such large sums were also extracted from the hoards of conquered princes or of those who required our assistance, that they were wellnigh exhausted; yet during all this time the export of merchandise from England to India was absolutely next to nothing.

The boasted trade of the East India Company in 1780 amounted, in exports, to £386,152 worth of manufactured goods.

None of the silver, therefore, that came

into the country in those days *legitimately* found its way out of it. Nay, however great the influx of silver and gold about the latter end of the last century, it would seem to have been quite inadequate to meet the exactions and increased demands for revenue of the Company's officers. Indeed, so impoverished had the country become under British rule, that the Marquis Cornwallis, in 1789, declared that one-third of the Company's territories was then "a jungle for wild beasts." Not long afterwards, however, this Governor wrested half of his dominions from Tippoo Sultan, considerably enhancing the nominal revenues of the Company thereby; and the work which he left undone, his successor soon completed. The Marquis of Wellesley acquired for the Company the remainder of Tippoo's territories, captured Delhi, defeated the Marhattas, and annexing a great portion of North and North-Western India, raised their revenue from £8,059,000, at which he found it in 1797, to £15,403,000 in 1805.

And each and every one of these acquisitions of territory, independent of the loss occasioned by the waste, devastation, and destruction of property always incidental to a state of war, created fresh necessities for an increased supply of silver.

In 1805 the value of the exports of British goods to the East Indies still fell short of £400,000.

The Company, in the meantime, instead of having profited by their acquisitions of territory, were embarrassed by a heavy debt, which, through the mismanagement of their affairs in India, was increasing at the rapid rate of one or two millions sterling a year; and though the English public was dazzled for the moment by the brilliancy of victories that added mighty kingdoms to the British possessions in the East, an opinion was formed, and rapidly gained ground, that our true mission in India was not conquest. Orders were sent out to put an end to wars; and the new policy was inducted in 1806-7. Compa-

rative peace reigned through India during the Governor-generalship of Lord Minto (1807-13), and, though for several years afterwards the Marhattas kept the country in a chronic state of internal war (1814-26), no great acquisitions of territory were made. In 1827 Lord William Bentinck landed in India. During his Governor-generalship (1827-34) peace was not unbroken; still, his administration was marked by a conciliatory policy towards the allied and independent native princes, and by the wise and economical measures he adopted for re-establishing the finance and improving the trade and commerce of the country.

In 1828 the value of the exports of British goods to the East Indies was £3,887,673!

From 1835 to 1842 all was quiet in India: the scene of events was transferred to Afghanistan. Then came a crisis: wars followed wars, *annexation succeeded annexation*, until, at length, Sindh, the country of the five rivers, Sattarah, Pegu, Nagpoor, and finally Oudh, were all enclosed within the red line. *Twenty*

*millions* of souls, at least, were added to the number of H.M. Indian subjects (1843-55). A mutiny of the native army, a massacre of the English, and a general insurrection of the people of Upper India closed this eventful period (1857).

In 1857 the exports from Great Britain of cotton stuffs alone amounted to 419,226,233 yards, and of twist and yarn to 17,846,904 lbs., which were valued at £6,083,266; the value of the whole of the exports in that year amounting to £11,666,711!!

Now comparing results, on the one side we find that the drain of silver was greatest about the end of the last and the beginning of the present century; that it commenced to diminish in 1808; that a marked diminution took place in 1814; that an equilibrium was established in 1832-33; that, except during the years 1843-44, from 1833 to 1849 no very remarkable change took place; and that from that year to 1857 the imports of silver increased rapidly and in large quantities. I

designedly exclude the period from 1857 up to date, because the state of India for that interval has been exceptional, and any conclusions drawn therefrom would be calculated rather to mislead than to throw any new light on this very interesting inquiry. I shall separately notice the period, however, further on. 5686

Reviewing, on the other hand, the progress of events in India as briefly sketched above, a superficial observer might be led to fix upon "war," the feature of greatest prominence in the history of the period, as the true cause of the phenomenon the explanation of which we are in search. The enormous national debt of Great Britain, £800,000,000, almost the whole of which has been incurred in the prosecution of wars, is sufficient evidence of the *immense* expenses incident to a continued state of war. The peculiarity of expenditure on this head, moreover, is that, though a few individuals may profit, no nation is enriched by it, and by its paralysing in-

fluence on commerce the wealth of the world is not allowed to increase. Of the incredible sums spent in wars, there really appears to be no account. What becomes of them, no one can tell. Some might readily, then, suppose that the necessities of a Government, compelled as was the Government of India, to maintain large armies for upwards of half a century in the field, almost continually conducting military operations of great magnitude, would in itself cause a continued flow of the precious metals—the sinews of war, as they are called—to the scene of those operations. But such has *not* been the case. By far the largest portion of the Home Charges in times of peace is on account of the Army. In times of war, as a very large, perhaps the largest, portion of the munitions of war come from England, these have always been largely increased, and the excess has been paid for by silver sent *from* India. The Company had bonds; but until the transfer of India to the Crown, no Indian loan was

ever opened in England. It is a singular coincidence, one possibly which has escaped notice, that during the prosecution of wars in India the imports of silver, as a rule, have never increased. On the contrary, the immediate effect of Indian wars on the current of silver would seem to have been to drive it back. Thus, during the Pindari war when 90,000 troops, the most numerous and most efficient army that has ever taken the field in India, were set in motion, the drain was steadily diminishing. And this influence was more especially marked during the Afghan war, when a large army was maintained in a foreign country for three years. In the first year of this war the excess of bullion imports was reduced by more than a million sterling, and increased by two millions sterling the year the army returned to India, as is shown in the following table:—

| | | |
|---|---|---|
| 1838-39 | peace ........... | £2,663,014 |
| 1839-40 | war.............. | 1,474,741 |
| 1840-41 | war.............. | 1,419,767 |

| | | |
|---|---|---|
| 1841-42 | war.............. | £1,326,259 |
| 1842-43 | peace ............ | 3,227,494 |
| 1843-44 | war and annexation of Sindh... | 4,048,601 |
| 1844-45 | peace ........... | 2,645,532 |
| 1845-46 | war.............. | 1,679,931 |

The war in Sindh was so short, sharp, and decisive, and the number of British troops engaged so infinitessimal in comparison with the results gained, that there was neither time nor opportunity for its influence on the bullion trade to be felt; but we perceive its probable effects during the Sikh war of 1845-46 in the immediate reduction of the imports of treasure by one million sterling, at a time when, for a moment, it may be said that the British power trembled in the balance; again in the campaigns of 1847-48, during which the excess of imports over exports stood as low as £547,353, and in 1848-49 at £1,664,760; and again in the second Burmese war of 1853-54.

We must seek, then, for some other cause

to account for the *flowing* tide of the silver stream than wars, for I think it has been fairly demonstrated that their effect has been materially to aid in its diminution. The epochs we have to deal with are, the *forty* years ending with 1805, during which the drain to the East is said to have absorbed nearly two-thirds of the entire produce of the silver mines of America; the years 1843 and 1844, in which the excess of the imports of treasure exceeded the excess of the imports of the two preceding years by £4,530,069; and for the seven years ending with 1857, the excess of two years alone of which exceeded that of eight years preceding. In the *forty* years first alluded to, Bengal, Behar, Orissa, and the greater portion of Upper, Central, and Lower Hindoostan, were added to the Company's territories—the empire of British India, in short, was founded. In 1843 Sindh fell in; in 1849 the Punjab; in 1850 Sattarah; in 1853 Pegu; in 1854 Nagpoor; in 1855 Oude; and comparing these years

with the years of excess, we are left little room to doubt, that, as stated, *annexation* has been the great and ruling cause of the increase in the flow of silver from Europe to India.

The important facts, then, in elucidation of the theory which we may consider established are,—that a state of *war*, by encouraging hoarding, and checking exports, and by increasing the imports of military stores, is favourable to some decrease of the current; that a state of *peace* and good government—as especially evidenced by the administration of Lord William Bentinck (1827—1834) when for a short time an even balance of trade between India and England was struck,—by allowing full scope and freedom of action to the influences of healthy commerce, or, in other words, by stimulating the reciprocity of interests, out of which arises, so to speak, that mutual sympathy between the produce of India and the manufactures of England which constitutes it, is favourable to an

equilibrium; and that *annexation* of territory, by the substitution of a European for a native form of government, and the immediate resort to the use of silver coin as a medium of exchange in room of the system of barter adopted, more or less, by all natives occupying the lower steps of the ladder of civilization, is calculated, as shown above, very greatly to increase the current of silver in its flow eastward.

And it appears strange that European financiers, with the ripe experience of America before them, instead of investing the influence here alluded to with its due importance, should have preferred to endow eastern nations with some secret and mysterious power of absorbing the precious metals, and have been at a loss to find any more satisfactory mode of solving what would seem to be a very simple problem in the dynamics of civilization, than by converting hundreds of millions of silver rupees into bangles and bracelets, and re-

turning as many more to the bosom of the earth.*

The omission can be accounted for, only, I imagine, by importance being attached to a prevailing but erroneous belief, that, because India was very early civilized in some respects, she must consequently also have been very early in possession of a metallic currency of considerable expansion, whereas, as has been shown a few pages back, such was not the case. On the contrary, without re-opening the discussion of this portion of the subject, I may add that in the villages of the interior, within a few miles even of the metropolis,

* These opinions have been put forth chiefly on such authority as that of D'Herbelot, Bernier, and other intelligent travellers. Some have directly stated that the silver lost in this way is in itself sufficient to account for the drain to the East; while later authorities have estimated that, in consequence of the insurrection in India, and the civil war that has been raging in China during the six years ending with 1857, at least £100,000,000 have, in those countries, been thus buried in the earth, and lost.

the ancient and primitive system of barter is still so extensively in use that very little silver coin passes through the hands of the cultivators, while a large portion of the salaries and allowances of retainers, clients, *slaves*, and menial servants is always paid in *kind*.

# CHAPTER III.

## OF THE CONTINUATION OF THE DRAIN.

It is much to be regretted that Indian statistics are so imperfect, and more to be regretted, that, meagre as they are, a motion in Parliament is required to obtain them. Under the circumstances, for a non-official to establish any fact regarding India requiring figures to support it, is a matter of difficulty, if not an impossibility. Bearing in mind, however, that the metallic basis of the currency has remained the same, the following table of the Coinage of India for the last ten years, for which I am indebted to Col. Hyde, will go some way to show that, considering the comparatively small amount of coin in circulation, the rate at which it has been progressing is disproportionately, — indeed *enormously*,—high.*

* The quantity of silver coined in India since 1835 exceeds £130,000,000. This gives an average of a little

| Years. | Calcutta Mint. | Bombay Mint. | Madras Mint. | TOTAL. |
|---|---|---|---|---|
| | Rupees. | Rupees. | Rupees. | Rupees. |
| 1852-53... | 2,73,66,206 | 2,37,98,471 | 39,35,171 | 5,50,99,848 |
| 1853-54... | 2,31,82,702 | 2,26,00,818 | 67,50,846 | 5,25,34,366 |
| 1854-55... | 70,43,170 | 37,47,416 | 20,68,429 | 1,28,59,015 |
| 1855-56... | 3,87,62,324 | 2,55,21,953 | 24,52,050 | 6,67,36,327 |
| 1856-57... | 6,69,10,807 | 3,22,04,079 | 86,78,139 | 10,77,93,025 |
| 1857-58... | 7,30,93,307 | 4,27,97,523 | 96,21,933 | 12,55,12,763 |
| 1858-59... | 3,86,64,891 | 2,18,94,949 | 48,53,441 | 6,54,13,281 |
| 1859-60... | 6,06,01,158 | 4,05,13,091 | 56,61,779 | 10,67,76,028 |
| 1860-61... | 2,69,86,256 | 1,98,02,389 | 51,34,639 | 5,19,23,284 |
| 1861-62... | 2,57,16,449 | 4,05,92,475 | 43,99,069 | 7,07,07,993 |
| | | | Total Rs... | 71,53,55,930 |
| | | | Average .. | 7,15,35,593 |

During the same period, the drain of silver to the East and the great influx of gold from the mines of California and Australia causing an alteration in the relative values of these metals, the metallic basis of the currency in the West, especially in those countries in which there was a double standard, has been rapidly changed. In France, the quantity of the gold and silver coin which issued from the mint in 1850 was about equal,—between

more than £4,500,000 a year. The above table will show the accelerated rate at which it is proceeding. Of the £82,005,630, £1,801,306 represents re-coinage.

85,000,000 and 86,000,000 of *francs*. In 1854, there were 526,528,200 *francs* in gold coined, against 2,123,887 *francs* in silver. In the United States, a precisely similar result has taken place; and this has been brought about, not by the edicts of emperors, but through the operation of those self-acting laws, by which the values in exchange of the precious metals, as well as other things, are fixed and regulated. A double standard means simply a *legal* privilege to *pay* in the metal which may be cheapest at the moment. When gold is cheaper than silver, people will make payments in that metal and export the silver, and *vice versâ*. The French and Americans, availing themselves of the privilege accorded to them by their laws have done this, and the consequence has been that, while formerly gold coin invariably commanded a premium in France, in the short space of four years almost the whole of the immense quantities of silver in that country as currency had left it, to the great inconvenience of the people. But if

the result has been in some respects inconvenient to the French, it has been beneficial to the world. It has prevented the great depreciation of gold which must have followed the Californian and Australian discoveries, had the governments of France and America followed the course pursued by the governments of India, Belgium, Holland, and other countries, who, alarmed for the security of their currency, demonetized gold.

But everywhere the immense stimulus given to the march of civilization,—to trade, commerce, emigration, the intercommunication of nations and peoples, by the rapid progress which has been made in the application of railways, steam, and electricity to the use of man, has not failed to exercise a powerful influence in increasing the demand for a larger supply of the precious metals to serve for the purposes of currency. Nowhere has this been more marked than in the states of America; and this brings me to perhaps the most important part of this inquiry, *viz* :—

Will the drain of silver to the East continue? After what has been stated above, it is hardly necessary to say that a demand for an increased supply of the precious metals for currency purposes in India *will* continue; and not only continue for a very long time, but, judging from that future progress of the country which present events foreshadow, the demand will yet be *enormous.* The experience of America gives us some data on which to found an estimate of what the demands of an intelligent and enterprising people, rapidly forming themselves into a great nation, on the precious metals of the world *may* be; and though it cannot be asserted that the circumstances and prospects of India are precisely similar, they are nevertheless such as fully to warrant the above conclusion. Indeed, since 1857, it may be said that India has entered on a career of progress the limits to which no man living can define.

Regarding the amount of gold and silver afloat as currency in the various countries

of the civilized world there are very conflicting opinions; but estimating the amount of gold and silver circulating as coin in Great Britain,—the country in which, perhaps, the greatest economy of the precious metals consistent with the maintenance of proper safeguards is observed,—at £80,000,000,* and the population at 30,000,000; and estimating the currency of India in 1857 at an equal amount†—an estimate I venture to think high, —and the population at 180,000,000, it requires but very little calculation to show that India is capable of yet absorbing silver to the extent of Rs. 4,000,000,000, or £400,000,000, in addition to this amount, for the purposes of currency alone. Nor must it be forgotten

* It has been estimated by various authorities at seventy, seventy-five, and even ninety millions, and that of France at a hundred and forty millions sterling.

† Mr. Wilson estimated the quantity of coin in circulation in India, in 1860, at £100,000,000; and though this estimate was based on very uncertain data, viz., the aggregate of the amounts coined in the preceding twenty-five years, it may not be far wrong.

that India is able to support a population many millions more numerous than she at present possesses,—nor, on the other hand, that England has many means of economizing the use of coin, which, in consequence of her immense extent of area, will be denied to India, if not for ever, for many years to come. If then it be admitted that there is even a shadow of truth in these estimates, it may not be unreasonable to conclude that there is a possibility—distant it may be, yet still a possibility—of the requirements of India, for currency purposes, approaching the enormous sum of £500,000,000 in silver coin. Nor have we yet reached the end. The ever onward-moving wave of civilization will surely not stop short at the confines of British India. Arabia, Persia, Afghanistan, Bokhara, and other neighbouring territories,—Nipal, Birmah, Cochin-China, Siam, have all to claim their *fair* share of the precious metals of the earth; and though *we* may not see it, the whole of central Asia is one day to follow.

Russia moves slowly it is true; but if Russia moves slowly she moves very surely. She has long been engaged in prosecuting her mission north, east, and west of the great central plateau of this vast continent, and she will continue to do so. Assuredly, then, there is little cause to dread that bugbear of financiers "a depreciation in the value of gold and silver;" though there may, on the contrary, be very good grounds for alarm, lest further sources should not be discovered to enable the supply to meet that demand which, if not immediate, is still inevitable.

But if, in regard to the more backward parts of Asia, the approach of these mighty changes can be sighted only in a very remote future, with India the case is different—*the time has come.* It remains then :—

*First,*—to make some surmises as to the probable ratio in which the demand for the precious metals in the East will increase.

*Secondly,*—to suggest some means of counteracting its evil effects, *i. e.* of preventing this

demand from increasing too rapidly for existing supplies in the West.

As regards the first portion of the inquiry, looking to the present of India, the prospect for the future is not encouraging. India is undoubtedly only now beginning for the first time to enter on a career of material progress. Railways have just been laid down. Both the termini of the main lines have not yet reached the great centres of commercial importance. It will readily be understood that the laying down of some five thousand miles of railroads on the English or most expensive system must cost an enormous sum of money. For the completion, therefore, of these great undertakings, a very large amount of capital has been introduced into India. This, and severe famines, immediately following a mutiny of the native army, and a widespread insurrection of the people, has rendered the state of India since 1857 peculiar and abnormal. It is a great mistake to regard India as a bottomless abyss into which tons

of silver may be cast without any appreciable effect. If we are to appreciate and rightly to understand the *situation*, it must, once and for all, be recognized and admitted, that up to the present, the supply of the precious metals in India has never been sufficient to meet all the demands for currency purposes as prevailing in European countries. Under the circumstances, to suppose that a peninsula, the superficial area of which is nearly a *million and a half* square miles, having a population of 180,000,000 of souls, and no indigenous sources of supply, would evince signs of becoming saturated with the precious metals by so gradual an introduction of silver as £3,000,000 per annum, is, to say the least, not very wise. Fairly distributing this amount under the different heads of account, *viz.* the quantity that may be *legitimately* set off against trinkets; losses by wear and tear, and expenditure in the arts and manufactures; and the quantity required for increasing the supply of coin in circulation as currency,—in a popu-

lation of 180,000,000 of people, how much will remain to be cast into the bottomless abyss?

It is not at all surprising, then, that up to 1857 no very great change in the condition of the people of India or the prosperity of the country should have been apparent. But within the last six or seven years, or since 1856, upwards of £50,000,000 of capital, subscribed for the construction of railways and other enterprises guaranteed by H.M. Secretary of State, have been poured into India;* £25,000,000 more have been sent into the country as the produce of loans, necessarily contracted in England because the surplus capital of India rather than the credit of the

* The actual amount *expended* on guaranteed railways in India, up to the 30th of April, 1863, was £48,205,000, of which India contributed £781,972. To this amount must be added the expenditure on electric telegraphs, the Madras irrigation canals, and the Indus flotilla,—railways, steam, tea, coal, and tramway companies not guaranteed, and other works of private enterprise for which capital has been subscribed in England.

Government was exhausted;* while the returns of trade, after adjusting the accounts with China, and deducting the home charges, show an annual balance in favour of India of about £5,000,000. In all, then, it would appear that more than £100,000,000 have been added to the currency and reproductive capital of India from without, within the last seven years. It would be extremely difficult, perhaps impossible, to determine precisely what portion of this large sum has been represented by actual silver; but the returns of the mints (an unerring guide) show that within the six years ending 1862, no less a sum than £52,000,000 has been actually coined;† and, as little or no coin has been exported, and no change has been made in the basis of the currency, we cannot be much above the mark in taking this amount as the quantity added to the supply of actual *silver coin* in the country.

* The actual amount of Indian loans raised in England up to date is £26,352,688.

† £566,225 of this sum represents re-coinage.

*This*, certainly, is an appreciable quantity of the precious metals to be thrown into a country, even of the area and population of India, in the short space of six or seven years; and consequently the effects of the sudden influx of so much silver, wherever it has permeated, have been *very* apparent. Produce and labour everywhere have risen in relation to money. In some places, where the influence of two additional and opposite forces, such as a failure of crops and an increase of population, have been brought into operation concurrently with the influx of silver, the price of grain and other articles of food, generally, have gone up one, two, and even three hundred per cent. In others, the supply of labour has proved altogether inadequate to absorb the amount of capital imported for Indian investments, and works of public utility have been retarded. It is thus that *Nature* puts a limit on the material progress of nations. Still, though the labour-markets of India are, for the moment, unequal to comply

with the demands of capitalists seeking for special investments, it can by no means be said that, taking India as a whole, she exhibits any very outward and visible signs of being *saturated* with the precious metals. On the contrary, it can only be said that the wages of labour, which up to the present have always been, comparatively, extremely low, are now *beginning* to approach a standard, in relation to money, more nearly proportionate to that maintaining in the poorest European countries. Indeed, when we give credit for the general rise in the price of food, which has undoubtedly taken place throughout the greater part of the country, it is difficult to say—excepting, of course, in special localities—that the wages of labour have risen at all, or, in other words, that the poor man's labour is any more valuable to him than it was before. And we could not, I think, if seeking for it, have a more convincing proof of the correctness of the position herein taken up,—that before India's appetite for the consumption of silver

is satiated, the drain from the West must still run long and deep. Labour in India has hitherto been so cheap that it has always been more profitable to employ any number of labourers, than to make use of any other kind of power in the execution of works not absolutely requiring it. But now that labour has become somewhat scarce, mechanical skill and other means of economizing its use will, I assume, be brought into operation, and human beings will be in India, as in Europe, no longer "beasts of burden."

That the condition of the people has been vastly improved by the late sudden and great addition to India's capital, there can be no doubt whatever; and we have the clearest and most satisfactory proof of it, and of the rapid progress of the country in material prosperity, in the steady and enormous increase of the revenues of the Empire within the last few years, as shown in these figures:—

| | |
|---|---|
| 1858-59 | £36,060,788 |
| 1859-60 | 39,705,822 |

| | |
|---|---|
| 1860-61.................... | £42,903,234 |
| 1861-62.................... | 43,829,472 |
| 1862-63.................... | 45,105,700 |

We thus see that the unprecedented increase in the imports of silver bullion into India during the last six or seven years has not arisen from any change in the normal condition or circumstances of her people, and that it affords no good grounds for assuming a continuance of the present extraordinary state of things. The balance of trade during the same period, it is true, has been largely in favour of India; but the great disturbing influence has evidently been the enormous sums of money, borrowed in England and poured into India, to complete railways and to supplement the deficiency of revenue. But loans for the purposes of revenue have ceased, and, unless some extraordinary and unforeseen necessity should arise, will not again be re-opened; and though the demand for works of public utility will long continue, it is to be hoped—and with the signs of blooming

prosperity we see everywhere budding around us there are fair grounds for the hope — that India will not always be compelled to provide for her deficiencies out of the surplus of other nations. These causes, then, for the drain will cease and determine, while the interest on this very capital — now amounting to £2,500,000, — which must be annually remitted to England, will go to aid in diminishing the balance in favour of India. It is impossible, of course, to say for how long, or to what extent, Indian investments will find favour in the London market; but I think we may safely assume that India will not lay down five thousand miles of railways, or fourteen thousand miles of telegraphic wires, in *every* ten years to come. Indeed, as regards these enterprises, it may be said that India has now, or will have in a few years, her *block;* and that additions to the capital account, in future years, will not only be gradual, but will be restrained within reasonable limits. The guarantee of the Secretary of State no

longer extended, Indian locomotive and irrigation enterprises will probably not offer any peculiar attractiveness to British capitalists, and, left to her own resources, though India will progress in this direction for some time to come, she will not move on with any very alarming rapidity.

# CHAPTER IV.

## OF THE BALANCE OF TRADE.

But if we can see a probable and definite limit to the current of silver on account of public works, the prospect, *at present at least*, in regard to the balance of trade is by no means so clear. It is already considerably in her favour; but should India become the cotton-field of the Western world, about £20,000,000 more silver would annually come into the country; and should she ever undertake to manufacture her own raw produce — and we must be prepared for such a contingency, — this amount would be still further increased by the difference in price of the raw material and the manufactured article. Another staple of large consumption, moreover, which is gradually creeping into the English market is — Indian tea. Should India send to England within the next ten years

60,000,000 lb. of tea at one shilling per lb., she will receive £3,000,000 in return; but if India sends this quantity within the next ten years — a result which is very probable, — within the ten years following she will send 200,000,000 lb., and will have to receive £10,000,000, none of which, tea being a manufactured article, will go back. The exports of rice, too, within the last few years have been increasing in a wonderful ratio; and without difficulty I might add largely to this score.

But to cast, with any approximation to truth, the commercial horoscope of nations; to foretell, with even probable certainty, to what extent, or in what direction, the progress of civilization may develop new wants — in how far, and in what degree, nations may become dependent on each other, — is not possible. We can provide for to-day; for to-morrow we can only take thought. But even in this restricted sense, the circumstances of India furnish us with matter for grave

reflection. We see before us a great peninsula, inhabited by, say, 188,000,000 people, who, having just laid down some fourteen thousand miles of electric wires, are busily employed in completing close upon five thousand miles of railways. We see that she is so prodigiously rich and fertile, as not only to be self-supporting, but, though her sources of wealth are very imperfectly developed, she has for ages furnished half the world with large supplies from her surplus produce. We see everywhere the germs of a new vitality—a growing strength, that bids fair soon to place her in the front rank of the great nations of the world. We see, further, that she is situated on the confines of a vast continent, throughout the greater part of which the light of modern civilization has not yet dawned, and into which an annually increasing quantity of her gold and silver must trickle. And we see, finally, that she has now so little of these metals, or they are so dear—which is simply the best proof of their being scarce,—

that out of a capital of £50,000,000 expended on the guaranteed enterprises on which she is engaged, she has been able or willing to contribute no more than £781,972! All these things we can see, some in the past, some in the present, and some in the future; and, seeing these things, I think we are justified in concluding that the estimates given above of the possible demands of India, and those parts of Asia to which she is the commercial high-road, on the precious metals of the world are not chimerical, but are founded on the only true basis of all philosophical reasoning in like matters,—the analogy afforded by other nations who have run the course, have reached the goal, and won the prize for which India started on the 1st November, 1858, and for which she is now contending.*

But there is a point in the affairs of nations when a stream which has long run one way, overflows its banks—when wages

* The date on which Her Majesty was proclaimed Queen of India.

and prices rise so high that by the corrective influence of the self-adjusting balance of supply and demand, imports and exports are equalized. India is *approaching* that point. Prices have almost doubled. Wages are gradually but steadily rising. At the same time, instead of dealing in vague generalities, and scattering broadcast congratulations regarding the general prosperity of India, which are only calculated to mystify or mislead, it will be perhaps more honest to state that, though a sudden and considerable impulse has undoubtedly been given to material progress in India, she is yet, in regard to her supply of the precious metals, a long way off that point at which she will be in a position to deal with European countries on equal terms; and England, consequently, has acted most wisely in lending her money for undertakings that will place her in a position to buy more of her manufactures. The quantity she can consume, and would consume were she rich enough, can be estimated by those only who

know, and have *seen* the *millions* who now run about naked,—*because they have no money to buy clothes!*

The most agreeable and the most generally beneficial means of compassing an even distribution of the precious metals of the earth is by the utmost freedom of interchange of commodities; an interchange, again, not purely conventional, but an interchange of such cordiality as—tending to satisfy most readily, and at the cheapest rate, the existing requirements of distant countries, and to develop, as it were, through the better knowledge of the capabilities of all, the greatest multiplicity of wants—shall establish a healthy and mutual dependence, calculated not only to further the prosperity but maintain also the peace of the whole world.

When nations shall abandon war and strife we cannot say. Possibly the race of *man* will then have ceased to exist, and *gorillas* or some other more peaceful race of beings may come to the front. All theories, therefore, based on

the idea of an approaching millenium may at once be set aside, as, if not unsound, at least altogether out of place in any discussion regarding the laws and principles of a system so eminently practical as that of economic science. But that point in regard to which the English system is strongest, and which in its working has tended, more perhaps than any thing else, to give it a pre-eminence over other systems, is the importance with which it invests the unrestricted action of self-interest; and it is from this stand-point that the mutual commercial relations of nations may be considered to exercise at once so practical, so powerful, and so beneficial an influence in maintaining the peace of the world.

If Brown, in a moment of irritation, offends Jones, by word or by deed,—should Brown's acquaintance be in no way essential to Jones's comfort, happiness, or advantage,—Jones, if not in bodily fear, will probably give way to a hasty impulse, and possibly knock, or try to knock, Brown down. But should it be other-

wise—should Jones be dependent on Brown for many of his creature-comforts, or for other things essential to his happiness or well-being, he will more probably curb his irascible temper, and turn away Brown's wrath with a few soothing words; and the cause of irritation removed, Brown and Jones will be as good friends as ever. Similar cases are very common in private life; so common that we see them occurring around us, not every day, but very many times in a day.

Now, speaking commercially, the affairs of nations differ from the affairs of private persons only in the greater magnitude of the operations and interests involved; for the commercial relations of nations are simply the aggregated relations of the merchants of the countries concerned. The principles, consequently, which are applicable to the one case are applicable to the other. Yet, strange to say, this simple fact, even at the present day, would seem to be very little recognized. To England alone belongs the credit of having

discovered the *secret*, and of having initiated and founded the policy of which it is the key-stone; and for the steady and persevering manner in which she is pursuing it, however other nations may at one time sneer at her for her shopkeeping tendencies, and at another stigmatize her as aggressive and bullying, mankind owe her a debt of gratitude. For though with barbarous nations this policy may in the outset lead her into wars and conflicts, it will, in the end, tend to the establishment of a bond of union and good-fellowship between nations from which the whole human race will derive profit,—when the Earth, subdued by the industry of man, will yield up the full measure of her riches, which, without let or hindrance, will be transported in iron ships, and on iron roads, to where it is most required; or, in other words, when her produce, like water, *will find its level.*

But these remarks in no way apply to India. Here, fortunately, we have no difficulties of this kind to deal with: capital, and a liberal and

enlightened system of government, are all that are required; for the rest, the natural laws which regulate the action of all societies in a progressive state of development will work out the end. But, in conducting any inquiry regarding bullion and currency in India, it is not possible to exclude considerations for other parts of Asia, and especially for a country so much more wealthy, more civilized, more productive, and more populous, as China. This country now draws from the West about £6,000,000 in silver annually on account of one export alone—tea; and probably as much again on account of another—silk.* And what does she take in return? Literally *nothing!* The foreign merchants' coffers at the chief ports are choked with silver; they do not know what to do with it. Instead of hailing the arrival of a

* The exports of tea from China to England for the year ending 31st May, 1863, amounted to 118,692,138 lb., and to America to 20,761,189 lb. The export of silk to England and France for the same period amounted to 83,264 bales.—*China Trade Report*, Hong-Kong, June, 1863.

fresh shipload of silver with the same sense of satisfaction as some people in London do the opening of a new vault of gold sovereigns in the cellars of the Bank of England, they consider it a positive calamity. In consequence of the opium trade, something in bills may be done through Bombay and Calcutta, but as regards the rest of the world the *par* of exchange is *nowhere!* In China, Japan, and the countries of and bordering on the Eastern Archipelago, there is an immense field for the manufactures of the West, a field as yet almost wholly unbroken; and it is to the development of the commercial relations of Europe with these countries that we must look partly for the adjustment of the unfavourable balance which the *commercial* account with India will show for a long time to come.

India now receives from China £8,000,000 annually for opium, and she has lately commenced to supply an appreciable portion of her wants from other Eastern sources, as the following return of the excess of imports over

exports of treasure at the port of Calcutta from Penang, Singapore, and Australia will show:—

| | Penang and Singapore. | Australian Colonies. |
|---|---|---|
| 1860 ... ... ... | £196,867 | £606,434 |
| 1861 ... ... ... | 432,910 | 604,460 |
| 1862 ... ... ... | 522,248 | 1,119,549 |
| Total ... | £1,152,025 | £2,330,443 |

And it is satisfactory to observe this result, for if two such countries as China and India were to continue to draw largely on the West at the same time, there would soon be no silver left in Europe at all; whereas, if India, which is that portion of the East now being developed, can square her trade balances against her large home expenses (and when the railways in progress are completed this is feasible), supplying all her wants in excess from China, Australia, and the Straits, it will considerably aid in maintaining the equilibrium. The relative and intrinsic values of gold and silver, as long as these metals shall continue

to be used as a medium of exchange, must always be a subject of great moment to the whole civilized world. In this view, the value of the commercial treaties lately entered into with the Emperor of China and the *Tycoon*, or *Ziagoon*, or whatever the ruler of Japan may be called, is considerable; and for the same reasons, if it be admitted that, speaking generally, I have accurately appreciated the condition and circumstances of the India of to-day, and given some definite shape to the many existing theories regarding her wants of to-morrow, it will be obvious that the question of economizing the use of the precious metals in this country is one in which not the East *alone* is deeply interested.

## CHAPTER V.

### OF ECONOMIZING THE PRECIOUS METALS.

We now come to the *second* point suggested for consideration,—the economizing of the use of silver in India, a matter of considerable importance, in which little has yet been done. True, a beginning has been made by the introduction of a paper currency, on the very cautious plan of not issuing notes for a greater amount than £4,000,000, except against reserves of coin and bullion; but the measure is yet so infantile that it can only be considered experimental. The circulation of the Bank of England for the little corner of the world comprising the British Isles, with its population of 30,000,000, though it varies of course according to the monetary circumstances of the country, is ordinarily about £30,000,000, of which about £14,000,000 may

be against funded and other securities.* The issues of the Banks of Ireland and Scotland, and all the joint-stock and provincial banks of the United Kingdom, average about half as much again, making a total issue of about £45,000,000; of this sum probably £25,000,000 are against actual coin and bullion, and the remainder, or £20,000,000, is added to the productive capital of the country. In British India, with its population of 135,000,000 of souls, the Government notes in circulation on the 30th May, 1863, amounted to £5,010,000, while the balances of hard cash and bullion in the issue departments of the Government mints, on the same date, amounted to £4,337,542, the issues against Government securities amounting only to £672,458. Did circumstances, then, admit of our applying

* A clause in the Act of 1844 (708 Vic. c. 32, which all persons desirous of having a knowledge of the principles by which the paper currency of England is regulated, may read) gives power to the Directors of the Bank of England to increase their issues of notes against securities as the issues of provincial banks cease.

the English scale to India, we might immediately set free about £30,000,000, or, in other words, add that amount to the productive capital of the country.

And in treating of this portion of the subject I may as well allude to what are called the "cash balances," which, for some unaccountable reason, have generally been included among Indian mysteries, their tendency to increase being considered quite inexplicable. But there does not appear to me to be so very great a mystery about them, nor am I certain that their tendency to increase is not far more apparent than real. The Government of India has always been its own banker. It has general treasuries at the head-quarters of each government, and these treasuries have branches at the head-quarters of each collector of revenue; and others, again, at the offices of their subordinates, besides some military treasure-chests. Scattered over an area of 900,000 square miles of a country in which the means of communication are very defec-

tive, it is obvious that these treasuries and their branches must be very numerous; and as each branch must keep *some* balance of cash in hand, it is not at all surprising that the aggregate of all should amount to a very considerable sum. All the Government business — the payment of troops, the disbursements for public works, the distribution of the salaries of all civil and military establishments, and payments on countless miscellaneous accounts — are made through these treasuries. The cash balances, then, simply represent what are called in banking "working balances;" and that they are so large in India is necessitated solely by the greatness of their number, and the enormous extent of country over which they are distributed. Bankers' reserves must always fluctuate according to the circumstances of the country; and though the Government treasuries, being more properly agencies for the receipt and payment of sums previously estimated for, are not liable to be influenced in the same degree, yet there must always be numerous contin-

gencies to provide against, for which large balances are necessary. Famines, for instance, are not uncommon in very many parts of India. Indeed, in consequence of defective road communication, grim want and smiling plenty are continually staring each other out of countenance somewhere or other; and as such contingencies necessitate concurrently a falling-off in revenue and an increase in expenditure for public works, commissariat supplies, &c., it is obvious that, at present, too narrow an estimate of expenditure might lead to complications that would prove seriously embarrassing. I cannot, however, perceive that there has been any great tendency in these "cash balances" *unduly* to increase. On the contrary, considering their number and the previous very imperfect administration of the finances of India, it is most remarkable how little they have fluctuated; and as lines of rails bring branch and head offices in closer proximity, it is reasonable to expect a much greater concentration of business and a consequent reduction

in those balances. Allowing due weight to apparent causes,—such, for instance, as the employment of a large portion of the army in foreign countries for four years,—the balances for the ten years ending with 1843 appear to have oscillated very little from a point between £9,000,000 and £10,000,000; for the next seven years (1843-50) they stood at between £10,000,000 and £11,000,000, and for the next two years (1850-52) at between £12,000,000 and £13,000,000. Now, if a large landed proprietor is improving his property and laying out annually about £100,000 of his income upon it, and he finds it necessary for the prompt payment of all sums, which cannot possibly be accurately estimated for by his various agents, to maintain a sum in excess of his estimates, equal to a fourth of the whole capital he is expending, or £25,000, unemployed in his coffers; or should his agents over-estimate expenditure to that amount, which comes to the same thing, if he purchases two or three adjoining estates and extends

his operations, and by this means, and for that purpose, largely increases the number of his agencies, and brings the amount of capital in his own and his agents' hands up to £200,000, it is clear, assuming the principles on which his business is conducted to remain the same, that his balances will rise to £50,000. But the increase of £25,000 in his balances will not prove that his income from all sources has exceeded his expenditure by that sum. It will have been relative only, or we might almost say, apparent, not real. Similarly — if his boundaries are enlarged, and consequently his payments for labourers, watchmen, servants, clerks, or, in other words, the expenses of keeping up his estate, have doubled and, *through the absence of banks*, the addition to his property has largely increased the amount of treasure always in transit from one part of the estates to another, and thus locked up — his unemployed balances may be yearly swelling, though he is living far beyond his income.

Now, this is exactly what has been taking place here. Since 1843 some four or five large kingdoms have been added to the British possessions in India; and the number of branches and agencies of the general treasuries, each having its balance or reserve, have been very largely increased. The revenues of the country in 1843 were about £22,500,000. In 1863 they are £45,000,000. The receipts and disbursements — the agency business of the Government — has in fact doubled. The expenses of maintaining the army have increased from £9,000,000 to £13,000,000. The proprietor's operations, moreover, since 1852, have far *more* than doubled. Public works, on the Government account, have received an immense impetus; and in addition to all this the Government Treasuries have had the distribution of £48,000,000 of railway capital.

The following return will show that, taking into consideration that, for the greater part, these divisions represent countries three times greater in area than Great Britain, the amount

of the reserves in all the scattered treasuries is nothing very extraordinary.

| According to the present limits of the several Governments. | May, 1861. | May, 1862. | May, 1863. |
|---|---|---|---|
| | Rupees. | Rupees. | Rupees. |
| Government of India ... | 2,90,59,954 | 5,54,45,027 | 4,05,80,267 |
| Bengal ..................... | 1,85,12,779 | 1,89,05,392 | 1,87,02,255 |
| N. W. Provinces ...... | 2,79,37,754 | 3,00,73,093 | 3,06,23,021 |
| Punjab .................. . | 93,73,486 | 80,39,568 | 1,01,61,781 |
| Bombay .................. | 3,58,58,430 | 3,22,58,625 | 2,96,28,341 |
| Central Provinces ...... | 52,67,881 | 58,90,592 | 49,64,094 |
| Deccan ............ . ... | 18,01,303 | 25,11,067 | 37,82,736 |
| Madras .................. | 2,24,47,552 | 3,15,03,703 | 3,99,63,530 |
| Total ...... | 15,02,59,139 | 18,46,27,067 | 17,84,06,025 |

It would not be difficult, taking £10,000,000 as the normal state of the balances before 1843, to show approximately the relation the present balances should, under the altered circumstances of India, bear to that sum; but I have not got, nor could I obtain in this country were I to try, the necessary data for the calculation. I have still, however, strong doubts, were such a calculation made, whether it would not appear that, allowing for disturbing influences *relatively with extent*

*of territory* and receipts and disbursements, that the "cash balances" have actually diminished. That the Government of India, since telegraphs and railways have been introduced, can work with smaller balances than before, no doubt is quite true; but sufficient has been said, I think, to show that, circumstanced as India has been of late, an increase to the "cash balances" is an extremely unsafe guide as to the financial position of the Government, and that it would be a very dangerous precedent to assume, from any temporary excess of these balances, a surplus of permanent income, with which they can have nothing to do. Indeed, before any conclusions whatever can be drawn from the amount of the "cash balances," more accurate and detailed statements of what they represent, and more reliable estimates of what ratio they *ought* to bear to the gross expenditure of the country, must be framed, which should of course be adjusted periodically.*

* The reason for the cash balances standing so high at

But as it would be the perfection of banking to employ the whole of a bank's capital and deposits, and to work without any balances at all, — and existing circumstances compel India to keep such very large balances, — it is all the more important that some efficient, if safe, means should be taken to utilize the very large sums of money which are now thus locked up. As in England, provision has been made in the Indian Currency Act to separate the issue department from the department of general business, and to insure that the notes shall be always convertible at the places of issue. This is very sound. But, somehow or other, the circulation does not make that progress which people seem to expect. The notes in circulation throughout India on the 30th of April, 1862, amounted

present, Sir Charles Trevelyan attributes chiefly to the Government of India having borrowed £5,000,000 more than they wanted,—a somewhat curious accident. The interest on this sum, I assume, amounts to £250,000 per annum. Who is to pay it?

to £4,130,000, and on the 30th of April, 1863, to £5,130,000, the amount against Government securities being no more than £672,458. Not much, then, is gained here, and there would seem to be, as yet, little or no tendency to increase in the ratio that is expected. The circulation at the end of last official year was but one million more than it was at the same period the year before. On the 30th of last month (June) it was £5,090,000, the amount against securities having advanced to £882,458. In fact, the circulation of the Government notes, *for all India*, is about double that of the old notes of the three presidency banks, and nothing more. They circulate freely within short *radii* of the mints of Calcutta, Madras, and Bombay, where they can be cashed; beyond, they are not money, but simply bits of paper, or, it may be, bills of exchange, payable at sight, and if used as such, are dealt in at a corresponding discount.

A short time ago, wishing to remit £50 to an agent of mine in the Punjab, I sent him

a Government of India note for that amount. He sent it back by return of post, with the advice that he could not obtain more for it than £47. 10*s*. Now, this would have been a charge of 5 per cent. But the Agra Bank would have given me a bill on their Lahore branch at a charge of 3 per cent., and this bill would have been saleable in any large town in the Punjab, at a very small discount. Or I could have obtained a *hundawi* from a native banker at 21 days' sight for 2 per cent., or at 60 days for 1½ per cent., which would have been negociable throughout the province on very much better terms.

It would seem to be clear, then, that existing arrangements, as far as present results can be taken as an index of the future, do not hold out much hope of affording any immediate relief even to the balances of silver coin, much less to the interest account of the heavy national debt; and equally clear that the cause is the great distance apart of the departments of issue, at which payment of the

notes only can be demanded. The great secret of success with a paper currency — if indeed that which is self-evident can be called a secret — is that the notes shall be not only easily, but, *at all times*, convertible into the amount of current coin which they represent. When such is the case, these bits of papers, or *flimsies*,* as they are classically termed, carrying with them the *premium* of portableness and security against loss, readily pass current. When such is not the case, they cannot exchange *as coin*, and, consequently, will not form any part of the *currency proper* of the country. Peshawar, to the north-west, is about *fifteen hundred* miles from Calcutta; Dibrooghur (Assam), to the north-east, is not quite so far as the crow flies; but for all practical purposes it is double that distance, or *three thousand miles;* for it is a longer journey from Calcutta to Dibrooghur than

* This is a Chinese term, *faythsian*, which is translated by Klaproth *monnaie volante*. These notes were used about the year 807 of the Christian era.

from Bombay to London. To anticipate, then, for the notes of the Government of India a circulation of any expansion under such circumstances, would be tantamount to expecting the notes of the Bank of Ireland payable only in Dublin (which, it may be remarked, would hardly be accepted at par in any part of England) to pass current at the Cape of Good Hope, or any other British settlement on the coast of Africa. But even this case is not altogether analogous; for were there large commercial relations between these places and the balance of trade in favour of England, there might be a certain demand for Irish bank-notes for the purpose of remittances; for, in consequence of the greater safety of bills of exchange, they would always bear a discount in relation to the bills of good bankers. But in India it would be impossible to allow Government currency notes to circulate below par; for the moment Government notes are at a discount, they will all be bought up and paid back, on account of

revenue, into the government treasuries, which, making payments in silver, would have to bear the loss in exchange. It is obvious, then, that before a system of paper currency in India will take any hold on the country, the notes must be made more easily convertible than they are at present.

Mr. Wilson foresaw this difficulty, and proposed to obviate it by mapping off India into circles of issue, within which the notes of the circle should be legal tender. The *idea* was excellent; but his scheme was marred by the error which infected all the well conceived schemes of this very able financier,—a want of knowledge of the circumstances of the country and the people with whom he had to deal. Had Mr. Wilson been spared, he would doubtless very soon have discovered that, taking England and India as they are, the circumstances of the two countries are in many respects antipodal, and that consequently his principles would require more adaptation than he was disposed to give them before they would work.

The present plan, which is that of his equally able, but more orthodox as well as more cautious, successor, Mr. Laing, is to extend the circulation of Government notes, which are not legal tender, through the agency of presidency banks and their branches. And it is a good one. But India is far too backward, and far too large, to admit of our anticipating, for a measure of this kind, such a success as the *creation* of an instantaneous demand for currency notes all over the peninsula; and she must consequently wait for her paper currency until the presidency banks are able or willing to push their business into the remote corners of the country, and thus afford facilities for working the circulation of the notes, and familiarizing natives with this kind of money.

Could Mr. Wilson have formed his circles of issue into separate kingdoms, and constituted the inhabitants of each kingdom a community within itself, using the departments of issue as the centres of vast commercial

operations, and dealing with the people of the other kingdoms as the people of foreign states, his plan might ultimately have worked well. But to establish circles of *separate* issues, all over India, with ill-defined or unnatural limits, as he proposed, would give rise, I fear, to so much confusion, and so much inconvenience, as to render paper currency instead of a boon, an intolerable nuisance to the country.

The introduction of a system of currency into a country of the enormous extent of India,—a country, the people of which are altogether unfamiliar with it; and which, as yet, has few of the appliances necessary to its success, is no doubt surrounded with difficulties. The several presidencies have, to a certain extent, the organization of separate kingdoms, and the currency of each may be worked, as at present, without much inconvenience from independent centres. But something more is wanting; and I venture to think that, *as a beginning*, branches of the departments of issue might be opened at the

head-quarters of each local government or Chief Commissionership of a province, where payments of notes to such limited extent as the requirements of the province rendered necessary might be provided for; and that many facilities already exist for extending the circulation, without any further agency on the part of the Government, of which advantage might at once be taken. These, however, I shall notice further on.

The permission to issue notes was at one time, not very long ago, thought to confer signal privileges. And no wonder. To coin money is a *royal prerogative;* and in this view, countless associations for the manufacture of paper fortunes, have, at different times, started into existence, to live a short summer, to expire in the first storm of winter. At the beginning of this century, there were about 300 provincial banks of issue in England. In 1813, their number had reached 900. In the three years following, 240 of these institutions stopped payment, involving thousands

in ruin. In 1819 the law was altered, and the evil was stopped. But lamentable as the state of affairs was in England in 1814–16, it is nothing when compared with what has taken and is taking place in America. In the ten years ending 1820, no less than 195 banks became bankrupt. An inconceivable amount of ruin was, of course, the result. But instead of the calamity, as in England, being the forerunner of a sounder system of banking, in America, over-issues, without any security whatever for the convertibility of the notes, not only continued, but increased in such an extraordinary ratio, that crash followed crash, till, in 1837, every bank in the Union stopped payment, the circulation at the time having reached the enormous sum of 149,185,890 dollars. Nor did this collapse, terrible as in its consequences it must have been, awaken the Legislature of the United States to the necessity of protecting the public against such evils in future. In 1840, similar disasters followed; in 1843, between 170 and

180 banks, including the Bank of the United States, were totally ruined; and in 1857, for the second time in a quarter of a century, every bank in the Union, "from the Gulf of Mexico to the frontiers of Canada" stopped payment.

When such frightful consequences may result from the illegitimate use of the power to create or manufacture money, surely it is the bounden duty of every Government to place the paper, equally with the metallic currency of the country, on a sound basis, and not to permit any or every half-dozen persons who choose to call themselves a "bank," thus recklessly to deal ruin around them. Indeed, it is now generally admitted by all sound financiers, that the issuing of notes is no part of the legitimate business of banking, and the privilege would seem to be no longer considered of the greatest value; for some of the most important banks in England, to which, under the Act of 1844, this privilege was secured, voluntarily forfeiting it, for a small

percentage circulate the notes of the Bank of England, and the banks now paying the highest dividends never possessed it. We have nothing to fear, then, in India, from the establishment of banks, in regard to the currency; and, in my very humble opinion, it is to the multiplication of these most useful institutions that we must look for the expansion of the circulation of currency notes.

We must, however, at once get rid of our ideas of Great Britain and the Bank of England. We may take as much of the principle as we like; but for the rest, nothing will help us here. All the circumstances of the case are totally different. Instead, then, of applying circumstances to the principle, we must apply and extend the principle to circumstances as we find them existing around us. Instead of having seventeen circles of issue, as Mr. Wilson proposed, I would have but one department of issue for each presidency; or ultimately, *if possible*, for all India; but I would have branches of these depart-

ments in each province, connected with central banks; and these central banks I would encourage by every legitimate means to push their business into every town that afforded the smallest probability of success, taking, of course, the necessary precautions for insuring that the business of any bank connected with Government was conducted on sound principles.

If one bank, connected with the head department of issue, can absorb the whole extent of territory which Mr. Wilson proposed to divide into *ten* circles, it would certainly be far more convenient—as long, at least, as the Government of India occupies its present anomalous position in relation to the Bengal Presidency—and there can be no doubt that the Bank of Bengal, under its present able management, is extending its operations with wonderful rapidity, to the great benefit of both the Government and the country. But if such is possible, it appears to me that it would be equally possible, and a far grander

conception, for it to absorb also Madras and Bombay, or the *seven* remaining circles, and to have a Bank of India, with one department of issue, and head offices at each capital working their branches throughout the provinces.

If, however, it is not possible, there are banks in India which can give Government excellent security for the safe and efficient transaction of all its business; and who, if it be worth their while to accept the conditions it is necessary to impose, would doubtless be glad of the opportunity of extending their business under the auspices of Government. The Agra, for instance, which was established in 1833, and now works its branches successfully in the most distant parts of the world, is such an institution. With a head Indian Bank at Allahabad, and branches at Lucknow, Agra, Delhi, Meerut, Simla, and some other places, each, *in time*, becoming the centres of subordinate provincial systems, this bank might be of the greatest assistance to the

Government of the North-West Provinces.* A similar bank, the Delhi Bank, at Lahore, with central branches at Amritsar, Mooltan, Peshawar, Wazeerabad, Maree, &c., might be made similarly useful to the Government of that province. And, extending this principle to the whole of India, we would, at once, see established throughout the country eighty or a hundred central banks, which, I have no doubt, would gradually increase, extending, in their progress, the circulation of the Government notes, and conferring on India the infinitely greater boon of all that substantial and healthy assistance to the commercial energy and enterprise of the country which a sound banking system is certain to carry along with it.

It is a common, but, nevertheless, a most

* The London and County Joint Stock Banking Company, with a capital equal to the called-up capital, but only equal to one-half the nominal capital of the Agra Bank, or £500,000, has upwards of *sixty* branches working under its head office, all circulating the notes of the Bank of England.

egregious error, to suppose that *gold* and *silver* form the most important mediums of exchange in a great commercial country. The "science" of exchange, if I may so term it, has furnished us with many ways of economizing the use of the precious metals. It was for this purpose that currency notes were first introduced; but they are not the sole means by which this end is accomplished, for notes, in their turn, have been superseded by bills and cheques. I have not the very latest data on the subject at hand; still, from the following interesting extract from the evidence of Mr. Slater, of the firm of Morrison, Dillon and Co., before a Parliamentary Committee, it will be seen that, in 1856, in the receipt and payment of a *million* sterling by that firm, the sum represented by notes, gold, and silver, on one side, amounted only to the fractional sum of £33,654.

*Receipts.*

| | |
|---|---|
| Bankers' Drafts and Bills payable after date ... | £533,596 |
| Cheques, &c., payable on demand ... ... | 357,715 |
| Country Bankers' Notes ... ... ... ... | 9,267 |
| Bank of England Notes ... ... ... ... | 68,554 |
| Gold ... ... ... ... ... ... | 28,089 |
| Silver and Copper ... ... ... ... | 9,333 |
| Post-office Orders ... ... ... ... ... | 1,486 |
| | £1,008,040 |

*Payments.*

| | |
|---|---|
| Bills payable after date ... ... ... ... | 302,674 |
| Cheques ... ... ... ... ... ... | 663,672 |
| Bank of England Notes ... ... ... ... | 22,743 |
| Gold ... ... ... ... ... ... | 9,427 |
| Silver and Copper ... ... ... ... | 1,484 |
| | £1,000,000 |

Nothing, then, can be clearer than that, in a country in the highest stage of commercial progress, currency notes and gold and silver coin represent nothing more than the "small change" used in the business transactions of the people; and that it is to the extension of those institutions which afford to an enterprising people the greatest facilities for effecting exchanges, rather than to the amount

of current coin or notes in circulation, a country must look for the highest development of its wealth. Hence, I venture to think that the introduction of a sound and extensive system of banking institutions will do more to obtain for the Government and the people of India, not only all the advantages it was thought to compass by a *forced* circulation of currency notes, but others, far more important, which are beyond the power of paper money to bring about.

And here it appears proper to enter on the consideration of a fundamental principle of considerable importance which I have before omitted to notice.

Some people seem to think that a paper currency can be suddenly introduced into a country by an Act of the Legislature,—that a Government has only to call a bit of paper a £5 or a £500 note, and that forthwith all people will, by common consent, consider it as such. Even Mr. Wilson, notwithstanding he took full credit for having based his system

on the true principle of success—*viz.*, *convertibility at all times*—was not satisfactorily clear on this point; for it is impossible to examine his scheme closely, and in detail, without arriving at the conclusion that he was not altogether free from some slight infection of such an error, and that he depended more on the "legal tender" than on the principles which he himself laid down. The edicts of kings and the laws of nations can certainly constitute paper, leather, shells, beads, and other things money. Emperors and kings have ere now done so. And any of these things once made what is called "legal tender," all within the limits of the kingdom being compelled to receive them in liquidation of debts, they necessarily come into circulation. But all the edicts of man cannot, at the present day, make a bit of paper and a bit of gold of equal intrinsic value; and as, according to Mr. Wilson's scheme, though the notes were to be *receivable* at Government treasuries in payment of revenue, &c., and were a legal

tender, they were only to be *convertible* at offices of issue some hundreds of miles apart, no power in the State could have saved the *poor* man, who by law had been compelled to receive a ten-rupee note in payment of a *big* debt, from having to pay a very heavy discount to the shroff for cashing it.

Now, I conceive the idea of extending the circulation of a paper currency to the entire area of this great peninsula by an Act of the Legislature, and through means of an ordinance proclaiming the notes legal tender, to be quite utopian: I consider it to have originated entirely, as before mentioned, in a want of knowledge, or a complete misconception of the state of the country and the condition of the people. And I further think, that had any Government the power to accomplish this end, it is very questionable whether it would be justifiable in it to use that power.

And the reasons why I consider the magical introduction of paper money throughout a country in the present condition of India,

where a metallic currency has long been in existence, illusory, I shall now endeavour briefly to explain.

In all societies in an early stage of civilization, exchanges are effected literally—that is to say, by *barter;* but as societies progress, they find this mode very inconvenient; and hence, kings generally appoint some standard by which the value in exchange of all commodities may be measured, and the same result effected with greater facility. All the civilized nations of the earth have selected gold and silver, probably as those metals fluctuate least in value, as the most convenient mediums of exchange. Societies in the infantile stage, however, still use beads, leather, shells, iron, brass, copper, &c. Their exchanges, for the most part, being confined to personal transactions between single individuals, a medium of exchange of small intrinsic value best meets the requirements of their condition. Thus, for people living in a very early stage of commercial progress, a *copper* coinage is

most suitable. But as their dealings become larger and more extensive, they will not only find it extremely inconvenient to make payments in bulky sums of copper, but the necessity for abstracting so large a quantity of it from the capital stock of the country, for a purpose that, in itself, is wholly profitless, will cause a scarcity of this metal in the market; and these two causes combined will naturally induce them to seek some means of economizing its use. This they will do by selecting another metal, say *silver*, less plentiful and consequently more valuable, as the standard of value, in small coins of which they will be able to express large sums of the cheaper metal, and thus set free a considerable quantity of the copper which was before locked up in current coin. But as individuals grow rich and wealthy, and as the internal commerce of the country enlarges its basis, precisely the same inconvenience will be felt from the maintenance of a single standard of silver supplemented by copper tokens, and another

metal more valuable than silver will have to be brought into use. This will probably be *gold;* and as it is the most scarce, and consequently the most precious, of all the metals used in the coinage of the world, as soon as the commercial transactions of the people attain such proportions as to render the economy of its use a necessity, instead of appointing a new standard they will be compelled to maintain *gold* as the standard, and to adopt some contrivance for economizing to the very utmost the use of this metal, so that, if possible, every gold coin in the country may be employed in effecting the exchange of commodities from one person to another. But as it is utterly impossible for dealers in gold, like dealers in other commodities, to estimate exactly "demand," and consequently absolutely necessary for them always to keep a certain quantity of it in the till, and as distance prevents balances from being readily transferred from places where they are not wanting to places where they are, some little

difficulty will be experienced in this matter. Indeed, the only way by which it can be accomplished, is by representing useless coins by some cheap and portable substance; and nothing can be better for the purpose than *paper*. Bits of paper, then, will be issued representing coin, to the *exact* amount of that which may be necessarily withheld from circulation in reserves or otherwise, but not beyond it; for the moment one note more than the coin withheld is issued, that note is a bit of paper and nothing more. There are, of course, other and more effectual means of economizing the use of the precious metals, as before alluded to, and a *fixed* amount of promissory notes may be safely issued against credit; but, preserving strictly the integrity of a metallic basis, beyond this point, in currency, it is not possible to go.

Indeed, if we examine closely the mode by which exchanges are effected in the great commercial transactions of the world, we will find that it is nothing but the old system

of barter carried out on scientific principles, gold coin having ceased altogether, as shown a few pages back, to be a *medium*, or to be of any other use than a fixed and convenient *regulator* for adjusting balances. And herein we have the very clearest proof of what ordinary people find it so difficult to understand—viz., that *money* is not *wealth;* but, on the contrary, that every gold or silver coin struck is so much wealth abstracted from the world's capital. Coin is, nevertheless, not the less necessary, for remove it, and all is at once confusion.

The above is a plain and simple explanation of the *theory* of "currency," as I am able to understand it; and if it is correct, it will appear that there are progressive stages in societies in which, according to their requirements, the standard of value should be *raised*, *i.e.* changed, from copper to silver—from silver to gold; that for the perfection of the theory, these changes are not necessary until the common daily transactions of the

people are of such a nature as to make payments in the cheaper coin inconvenient, or the amount in circulation as coin so great as to cause a scarcity of it *in the world* for other purposes; and that to attempt the general adoption of paper money before gold has been introduced into a country, is to cut away one of the very strongest and best links of the chain which binds together a solid and sound currency system such as that prevailing in England.

That the bulk of the coinage in two such highly civilized and wealthy countries as America and France was so long silver is no argument against this view. It is attributable solely to the scarcity of gold, and their having a double standard; and if proof be wanting of the truth of what is advanced above, we have it in the fact that the moment the quantity in existence in the world was increased by the discoveries in California and Australia, in accordance with the common law of economic science, gold flowed into these

countries, their coinage was changed, and large quantities of silver being set free, it flowed rapidly away to the East, where it still continues to accrete.

But as the truth of all *theories* depends more upon the application of principles to existing conditions and circumstances than to any imaginary virtue in the principles themselves, countless cases will arise in which they will require very considerable adaptation before they can be made to work; and the *theory* of currency is no exception. For instance, the above rules contemplate a single society in an equal state of advancement, influenced throughout by the same laws, interests, ideas, &c.—a society living, as it were, within itself; and it is only in very small societies—such, perhaps, as the ancient republics of Venice, Genoa, &c.—that such a state of things could well exist.

Before, then, we can make any use of the *theory* above laid down for our present purpose, we must examine the circumstances of India at the present day.

On referring back to the early part of this review (see p. 17), we will see that though silver coin is not actually of recent introduction into India, practically the country, from its enormous extent, is, in its monetary condition, in a very much more backward state than very many other countries in which the use of coin is of very much later date. We will see that, if we have highly civilized European cities, such as Calcutta, Bombay, Karachee, in which the annual foreign trade, including the imports of treasure, is fast approaching £100,000,000, and large internal cities full of active and busy native traders, a very considerable portion of the interior of the country is yet in that first stage of progress in which exchanges are carried on by *barter*. And we will see that though money-lenders and money-changers are very generally distributed, and with the mercantile classes money has long been familiar, still it has been fairly demonstrated that the amount of silver in the country in the shape of coin

is several hundreds of millions of rupees below what is required to meet the ordinary wants of the people, even in their present condition.

It would seem, then, that in India we have, not one society, nor very many societies, but *all* grades of societies, from the very lowest to the highest: and it appears to me that the general introduction of paper money, which shall be a legal tender, into a country so circumstanced, would not only be at variance with the principles of the theory, but that, in the absence of any existing means of making the notes readily convertible, any attempt of the kind might damage the credit of Government, and seriously endanger the ultimate success of the measure.

# CHAPTER VI.

## PRECIOUS CHAUS.

It must be borne in mind that the idea of paper and other substitutes for gold and silver coin is by no means new in India. It *originated* in the East.* Marco Polo, who resided in China from about 1274 to 1291, found there at that time a system of notes in very general circulation; and we have the authority of the Mohammedan traveller Ibn Batuta that this system was in existence half a century later.

* The first attempt of the kind was made in China B.C. 119, in the reign of *Ou-ti*, of the *Han* dynasty. This money, called *phi-pi*, was of leather, and never came into general circulation. Veritable paper money was first introduced into China by *Thai-tsu*, of the *Song* dynasty, who ascended the throne A.D. 960. It was introduced in the province of *Chau* (Szu-tchhouan), to replace iron money, which, as being too heavy, was found inconvenient.—(Klaproth, Journal Asiatique, vol. i., 1822.)

Marco Polo in speaking of these notes, which were called *chaus*, says :—*

"With regard to the money of Kambalu,† the great Khan may be called a perfect alchemist, for he makes it himself. He orders people to collect the bark of a certain tree, whose leaves are eaten by the worms that spin silk. The thin rind between the bark and the interior wood is taken, and from it cards are formed, like those of paper, all black. He then causes them to be cut into pieces, and each is declared worth respectively half a livre, a whole one, a silver grosso of Venice, and so on, to the value of ten bezants. All these cards are stamped with his seal, and so many are fabricated that they would buy all the treasuries in the world. He makes all his payments with them, and circulates them through the kingdom and provinces

* See also a highly interesting article on this subject, by Professor Cowell, in the Asiatic Journal of Bengal for 1860, from which, second-hand, I take this extract.

† Khan-balik, or Pekin.

over which he holds dominion, and none dares to refuse them under pain of death.

"When any of the cards are torn or spoiled, the owner carries them to the place whence they were issued, and receives fresh ones, with a reduction of three per cent. If any man wishes gold or silver to make plates, girdles, or other ornaments, he goes to the office, carrying a sufficient quantity of cards, and gives them in payment for the quantity he requires."

Ibn Batuta's account is similar in every particular, except as regards the seignorage for new notes. On this point he says:—

"When anybody finds that his notes are worn out or torn, he carries them to the office, which is just like the mint with us, and there he has new ones given him in place of the old. He has nothing to pay for this, for the officers who have the charge of supplying these notes are paid by the king."*

But though the *chaus* of the *Youan* or

* Defremery and Sanguinetti's edition, vol. iv., p. 260.

*Mongol* dynasty obtained considerable circulation, they were not quite so successful as Marco Polo and Ibn Batuta seem to have thought. The *pao-tchhao*, or *precious paper-money* of the *Mongols*, was introduced about 1262. In consequence, however, of the gradual depreciation in the value of the notes, the system was changed in 1287, changed again in 1308, and again in 1351. "But," to use the words of Klaproth, "all their essays and attempts to produce a rise in the funds were futile, and the *Mongols* were driven out of China, which they had utterly ruined by their *tchhao precieux.*"

The state of the country on the destruction of the *Mongol* dynasty was such, that the *Mings*, who succeeded them, not only could not abolish the *chaus*, but were forced to issue new ones. All *their* efforts, however, were equally futile to prevent the depreciation of their notes, to such a point that edicts compelling people to take them produced no effect, and about A.D. 1455 it would seem

that they disappeared from circulation, for history after that date makes no mention of *precious chaus.**

Du Halde, in his "Description de l'Empire de la Chine," says that some of these *chaus* were in existence in his time, and that they were considered in China, talismans. He has given a transcript of one, and the inscription on it, according to his translation, is as follows:—

"La çour des trésoriers ayant presenté cette requeste il est ordonné que la monnoye de papier ainsi marquée du scéau impérial des Ming, aye cours et soit employée de même que la monnoye de cuivre. Ceux qui en feront de fausse, auront la teste coupée. Celui qui les aura accusé et amené sera recompensé de deux cent cinquante taels. De plus, on lui donnera les biens meubles et immeubles du çoupable. Fait à telle année, tel mois, tel jour du règne de Hong vou."

* Continuation of the grand annals of China, styled Thoung-Kian-Kang-Mou-Siu-Pian.—(Klaproth.)

The *Mandchous*, who succeeded the *Mings*, have never attempted the issue of *precious chaus*.

But the most remarkable, because the most short-lived, experiment of the kind was that of Kai Khatu in Persia, about the year A.D. 1295. On coming to the throne, his Minister found the finances of Persia very much in the condition that Mr. Wilson found those of India in 1858, and he immediately set about putting things in order. He first tried loans; but his master's credit was soon exhausted, leaving him worse off than he had been before; and in a very short time the treasury was empty, and Government became seriously embarrassed. In these perplexing circumstances, one of the Shah's revenue officers, by name Izz-ud-din Muzafdar, gave him an account of the success which had attended the *chaus* in China, and strongly recommended him to try a similar expedient in Persia, promising that if he did so, "the doors of business would again be opened, and the wealth of the

country return to the treasury without loss or distress accruing to any one."

"Driven to extremities," to use the words of Mirchond, "the Chancellor of the Exchequer went with Pulad Changsanik, the ambassador at that time from the Emperor of China, and laid before the Sultan Izz-ud-din's proposal." . . . . . . "Now, the form of the *chau* was an oblong of paper, and certain words in the language of Cathay were written on it, and on both sides was the formula of belief, '*There is no God but God, and Muhammad is his prophet,*' and beneath this the words 'Yiranjin Turji,' which were the titles which the khans of China had conferred on the kings of Persia. In the middle of the paper was drawn a circle, and starting from the centre was written the value of the note, which varied from half a *dirrhem* to ten *dirrhems.* Certain lines were also written on it, the substance of which was as follows,—That the Emperor in the year 693 (A. H.) had issued these auspicious *chaus;* that all who altered or forged them should be sum-

marily punished, with their wives and children, and their property confiscated to the treasury; and that when these auspicious notes were once in general circulation, poverty and distress would vanish from the people, vegetables would become cheap, and rich and poor would be equal.

"It was also ordered that whenever the *chaus* became obliterated by use, they should be brought to the *Chau-Khanah* (or issue department), and new given in exchange. The Persian merchants by sea, who traded with foreign countries, were to bring, on the eve of the voyage, their *chaus* to the mint, and there receive gold in exchange. In fine, in the month *Zu'l ka'dah*, in the year 693, *chaus* were first issued in Tabriz; and in consequence of the stringent orders given, for two or three days people used them in buying and selling. For an order had been issued that *every one should lose his head* who refused to accept the new currency. Many of the inhabitants of Tabriz left the place and carried away their

goods and provisions from the bazaar, so that this city, which is called the little Misr (Egypt), became as empty of people as a lover's heart of patience. The cries of young and old rose to Heaven, and the common people in the Friday's assembly began to exclaim loudly against the tyrannous measure, and to implore Heaven to send them aid; and loud were their curses against Izz-ud-din and those who were his partners in the scheme. At last with common consent they attacked him, and having killed him with his followers, broke out into rebellion.

"At length, when the matter became really serious, and the knife, as it were, touched the bone, all the doors of business were closed, and the imperial revenue seemed abolished. The nobles and amirs, with the Chancellor of the Exchequer, then went to the King, and represented to him that the institution of *chaus* had produced ruin to the subject and emptiness to the imperial treasury; and if this state of things continued many days longer,

the glory of the empire would pass away, and no subjects be left in the realm. The Sultan, having heard the words of these faithful counsellors, issued orders for cancelling the *chaus*, and, the inhabitants consequently returning to their homes, in a short time the city and bazaars of Tabriz resumed their original appearance."

Now, as in early times the power of the Mohammadan sovereigns of India extended much further to the north-west than to the south, it is hardly probable that the news of so novel and important an event should not have reached that country. It is not a little surprising, then, to find that about half a century later a similar attempt was made in India by Mohammad Toghlak of Delhi. This king, it appears, had formed the very modest design of conquering the world, and not having money enough in his treasury for the purpose, and having heard, according to Ferishtah, of the "*precious chaus*" of China, he conceived the idea of issuing a cheap kind of money as a

substitute for gold and silver, hoping thus to gather all the precious metals in the country into the royal treasury. Instead of paper, however, he employed copper, issuing an edict that throughout the country these copper coins should be the only legal tender. The result of the measure, as related by Zia i Barni, a contemporary historian, was most disastrous. Every house became a private mint, lakhs and crores of copper coins were coined, and instead of gold and silver pouring into the treasury, the people paid their revenue in copper, carrying *tons* of it to the mint, and receiving in exchange current coins, with which they purchased up all the wealth in the land, and, exporting it to foreign countries, exchanged it for gold and silver. But very soon these copper coins became so depreciated, that even in the capital, where the royal ordinance was dreaded, one *tanka* of *gold* sold for a hundred *tankas* of copper; and in the remote provinces of the empire the people refused to take them at all. "At last," says the historian, "the

copper money became so depreciated that it was reckoned only like shingle or potsherds, and the value of the old coins, from the excessive estimation in which they were held, was increased four or even five fold. When such ruin everywhere fell upon commerce, and the copper tokens became viler than bricks, and were of no use whatever, Sultan Mohammad repealed his edict, and issued a new order, though with the fiercest wrath within his heart,—that every one who had the copper coin might bring it to the treasury and exchange it for the old gold money. Forthwith thousands of men from different quarters, who had thousands of these tokens in their houses, and, utterly sick of them, had tossed them into holes and corners with the pots and pans, brought them to the treasury and received gold and silver money in exchange. In such quantities was the copper carried to the treasury that there were heaps of it in Toghlakabad like *mountains,* while immense sums passed out from the treasury in exchange for it, and this

was one great evil which fell upon the State from this measure. And, again, since the Sultan's edict had failed in bringing the scheme to pass, and the copper tokens had only absorbed a large portion of the revenue, the heart of the Sultan became more and more alienated from his subjects."

Such are the facts we glean from history regarding the origin of paper money and the application of the principle in the East, and they are not without interest. True, the currency experiments of the Kings of Persia and India were simply, the one an ignorant effort to re-establish the finances of the country, and the other a dishonest attempt to transfer all the precious metals in the Empire from the subject to the Royal Treasury. The *pao-tchhaos* of China, the *chaus* of Persia, and the copper *tunkas* of India, may take their place with the *green-backs* of America, and all similar descriptions of promissory notes issued by the Governments of Western Nations when in desperate circumstances. None have any concern

with a sound system of currency. Still, all are valuable, as proving the utter impotency of the edicts of kings and princes to give intrinsic worth to substances of little value in exchange as substitutes for coins which have no real existence. To what amount a Government may draw upon its credit depends upon circumstances; and how far it may be prudent or desirable for Governments to issue *currency* notes on *this* basis is quite another affair. Both are questions that it is quite unnecessary here to discuss. The points I desire to establish are, that in any country in which the state of civilization and the monetary condition are such as to render a paper currency desirable, as long as the people are satisfied that the system on which it is based is sound, *paper* will speedily obtain a self-development commensurate with the requirements of the community, without the aid of any legislative enactments proclaiming Government notes legal tender;—that in any country in which the people do not require it, or in which they are

so backward as to be unable to appreciate its uses, all ordinances, however despotic, will be impotent to bring it into general circulation; and that, *everywhere*, it is impossible to prevent it from becoming depreciated in a ratio directly proportionate to the difficulties attending its conversion into coin.

## CHAPTER VII.

### THE CURRENCY OF INDIA.

If the edicts of such despotic monarchs as the Emperors of China and Persia failed, *even on pain of death*, to force the circulation of their "*precious chaus*," we can form some estimate of the amount of success that can be anticipated for any similar measure of a constitutional Government. To dwell on the subject is quite unnecessary. But were it otherwise; *could* a Government suddenly spread an issue of paper money over a country like India, I am of opinion that it would neither be desirable nor yet justifiable in it to do so.

Mr. Wilson, in introducing his currency measure, rejected the idea of a gold standard with the avowed object of protecting the Government creditor and the public against the possible loss resulting from receiving payment in a depreciating metal; and the idea

was honourable to Mr. Wilson. But it seems to me that he hardly pushed his own arguments to their legitimate conclusions. For what did he propose to do? He proposed *suddenly* to create about £51,000,000 in currency notes, £17,000,000 only of which were to represent actual coin or bullion, and to scatter them all over the country, to be legal tender—in short, to serve all the purposes of coin *everywhere*, except at seventeen central points in an area of 900,000 square miles,—or, in other words, to add £34,000,000 to the quantity of the circulating medium already in India. And what is this, I would ask? It is to *inflate* the currency of the country—to cause a general rise of prices; to raise largely the wages of labour; to reduce considerably the means of all persons living on fixed incomes; and to depreciate generally the property of all capitalists. True, all these results may be brought about by the altered condition and circumstances of the people of a country, and when they take place naturally, they are signs of

healthy progress; but has a Government the right to make use of its prerogative as a Government to bring them about *un*naturally for the purpose of reducing a debt incurred through its own mismanagement?—that is the question; and I venture to answer,—it has not.

When paper money has long been in circulation; when a country is bristling with joint-stock banks of issue, and is, as it were, saturated with the notes of over-issues, for the convertibility of which there is as little security as for the Persian chancellor of the exchequer's *chaus*, or Mohammad Toghlak's *tankas;* when commissions of bankruptcy against such banks are being issued by dozens, and over-issues continue to increase so rapidly, and the exchange to become so depressed, that the national bank is almost drained of its gold without affecting any improvement; when, in short, thousands have been ruined by the unsound state of the currency, an Act to *limit* the issue of paper money, and generally to consolidate the currency of the

country, whatever loss and inconvenience it may entail on individuals, is a measure which the public safety not only justifies, but renders the imperative duty of a good government. Such an Act was Sir Robert Peel's Act of 1844, the intention of which was diametrically the opposite of the measure here alluded to. Sir R. Peel's measure was pre-eminently one of *contraction*. Mr. Wilson's measure was pre-eminently one of *expansion*. Sir R. Peel's measure was intended to repress evils arising from over-issues and a redundancy of currency. Mr. Wilson's measure, if not so intended, was calculated in some degree to *create* the very evils the measure of the great statesman was framed to prevent.

Dr. Adam Smith compared the advantages attending the opening of a bank of issue to those which would result from turning the highways of a country into cornfields and pastures, and making roads through the air. Mr. Ricardo, adopting Dr. Smith's principle, compared them with the discovery of a new

mine. It appears to me that there is a considerable difference between these *similes*, for while in the first mentioned the limits are fixed and determinate, in the latter there is no such certainty; and if the argument be pushed to the extreme point, it would lead us to the conclusion that there is little advantage gained by having a metallic basis of currency at all. The results of modern progress in the science of exchange, satisfactorily prove that there is much less necessity for the actual existence of a large quantity of the precious metals in a country than is commonly supposed, and there can be no doubt that the fears that, from time to time, now show themselves in England regarding exportation of bullion, often result from ignorance of the fact, that such a state of things is consistent with the highest prosperity; but, as long as all the nations of the civilized world adopt gold and silver as their mediums for effecting exchanges, there is a point below which the amount of bullion in a country in the shape of current coin, cannot be allowed to

sink, without causing serious embarrassment to individuals and to trade, and considerable uneasiness, if not alarm, to the public.

But, taking the theory involved in the most limited and consequently the safest of these *similes*, we will apply it to two countries in different stages of progress and observe how it will act. Let us suppose it possible, for instance, for the roads, railways, tramways, and bridges of England to be suddenly ploughed up, and aerial chariots in thousands to be set in motion all over the country,—what would be the result *there?* The roads would at once be turned into smiling pastures and golden cornfields, and a great and immediate increase to the wealth of the country would follow, which, there can be no doubt, would be highly beneficial to the people. But let us suppose that Sir Charles Trevelyan, hearing of the signal success which had attended the flying experiments of Mr. Gladstone, were to project an Order in Council that a similar experiment should be made in India,

and all the roads in the country were suddenly to disappear—what would be the result *here?* Land being, for the most part, in excess of population, except in certain districts, the roads would not be cultivated at all, and the people seeing no advantage in the measure, and being under no pressure for highways, would certainly refuse altogether to risk their lives by using so novel a means of locomotion as Sir Charles's aerial cars, and thus Government would have been at the trouble and expense of breaking up roads that had cost the State a great deal of money to construct, and an immense amount of inconvenience would result to the people, without any corresponding advantages accruing to any one. See, then, what a very great difference in the application of a principle a slight alteration in the condition and circumstances of things can make.

The bubble, which for an instant sails majestically through the air, delights an admiring group of children, and, with wonder, they

gaze on the prismatic beauty of its colours, as they dance in the bright rays of a summer's sun. "Look!" they cry, "we have *created* it; how firm, how solid, how beautifully it soars aloft! higher! still higher! yet higher still!—surely it will reach the skies!" But alas for the vanity of human wishes; bubbles *always* burst, and the deluded children are left—with so much soap-suds in their eyes! But, if bubbles are fascinating to children, to grown men far more fascinating are dreams of prosperity based on *paper* issues which are not money, yet not a whit better fate awaits them; and with other schemes, however well devised, if inapplicable to the existing conditions and circumstances of things, it is much the same. Both, like bubbles, are destined to burst and vanish in thin air.

But if a Government, for the convenience of its subjects, takes *their* gold and silver, and gives them receipts for it, payable on demand, or permits a bank to do this for it, it is no delusion, the amount of notes in circulation

is regulated by the requirements of the community. If the public find it more convenient or more to their advantage to keep their gold in deposit with the Government or the bank acting for it, it is their concern. It is very certain that they will not long do so, unless they have good guarantees that the authorities with whom they deposit it will not abuse their confidence, and mistake public for private property. A Government, under constitutional checks, may legitimately utilize reserves, and it has been found safe to permit a Government Bank, on certain conditions, to base a limited portion of the paper money of a country upon securities; but beyond this point a Government ought not to have the power to go, for *no one* has a right to issue spurious or counterfeit coins, least of all should that right be usurped by a Government.

It is by the requirements of the country and the people, then, that we must be guided in our estimates of the expansion of the

currency, and not by the necessities of the Government, which have nothing whatever to do with the question. If a country is at a high pressure point, and the every-day transactions of the people are of a nature to make gold and silver inconveniently bulky, no doubt they will most thankfully and willingly avail themselves largely of any *safe* means which offers them facilities for carrying *money* about; but when such is not the case, the probabilities are strongly in favour of their preferring substances to shadows, however well secured the latter may be. It is erroneous to suppose that in societies not in a high state of civilization, the necessity for employing substitutes for coins is of rapid development. The Chinese would seem to have used iron money for a very long time before they began to find payments in it inconvenient.* The researches of archæolo-

* Iron money was first made in China by a rebel named *Koung-sun-chou*, who died about A.D. 36. The emperors did not follow his example till A.D. 524. The first notes

gists and numismatists satisfactorily establish, as shown in the early part of this review, that for centuries, in India, the circulation of coin was confined wholly to cities—often to a circle with a short radius around the capital; and as it is of the very essence of paper currency that the notes shall serve all the purposes of coin—shall, in short, be coin,—the same rules apply equally to both.

But, if we come nearer home, we will find that bank-notes did not take so suddenly with the people of European countries as some seem to think they ought to do with the people of India.

The Bank of England was established in the year 1694. From 1699 to 1712 the annual circulation of the bank never reached £1,000,000; for the next ten years it fluc-

(A.D. 960) were called *tchi-tsi*, or *coupons;* the second, introduced under *Tchin-tsoung*, of the *Song* dynasty, were called *kiao-tsu*, or *changes*. There were subsequently other issues of notes, styled *kkoung-tsu*, *hoei-tsu*, and *yn-kouan*, until we come to the *pao-tchhao* of the *Mongols* in A.D. 1262, all of which met with little success.

tuated between one and three millions, and for the next ten years between three and four millions. For the next *thirty* years (1732-62), though it occasionally rose above and sank below it, it averaged about £4,500,000. For the next ten years it seldom exceeded £6,000,000; but within the next twenty years it averaged nearly £9,000,000. During the next ten years it rose considerably, and in the year 1800 it reached £15,047,180. For the last *sixty* years the circulation has oscillated, with very uncertain fluctuations, between this sum and £33,000,000. On the 31st of August in 1805 it was £16,388,400; in 1817 it was £29,543,780; in 1822 it was £17,464,790; in 1827 it was £22,147,600; in 1835-36-37 it was £18,000,000 odd; in 1839-40-41 it was £17,000,000 odd; in 1850 it was £20,714,000; on the 31st December, 1858, it was £32,852,470; and on the 31st of December, 1862, it was £20,516,435. It is necessary to note, however, that these figures show the circulation on particular dates only, for the number of notes

in circulation varies, of course, daily, sometimes within the year to the extent of three or four millions. Thus, on the 3rd of January, 1853, the Bank of England had £19,285,000 of its notes out; and on the 4th December of the same year the number had increased to £22,723,000.

These statistics of the currency for the last century, especially for the early part of it, illustrate the *growth* of the circulation of this great "State engine," as it was called by Dr. Adam Smith; and we learn from them that it was gradual and slow. The statistics of the currency for the first half of the present century illustrate its condition in maturity; and we learn from them, that in a healthy state of things it is not a large circulation against securities that is the great desideratum, but the power of expansion and contraction with the internal trade of the country and the requirements of the people that constitutes the practically essential element in a really sound system of currency.

Turning to India, we look in vain for reliable statistics of any kind. I find, however, that before the introduction of the present system, the average circulation of the banks of Bengal, Bombay, and Madras was about £3,000,000; and that the circulation of the Government currency notes is now £5,000,000; *i.e.*, that it is increasing in the ratio of a million a year, or *ten times* more rapidily than did the circulation of the Bank of England in the first half century of its existence. It must be borne in mind, moreover, that though the Government currency is supposed to extend throughout the whole country, it does not in reality do so. It has no circulation beyond the presidency towns. Under these circumstances, the result is not only extremely satisfactory, but affords the highest and most gratifying proof of the very great facility with which the Government of India—if those measures which the principles of a sound system of currency require to ensure its success be adopted—can expand its cur-

rency to that limit beyond which, unless on deposit of bullion, it should not be extended, viz., the utilizing of its very large cash balances,—without making any reckless or dangerous attempts at *forcing* the circulation of its notes. India, however, is an immense country—Russia excepted, the largest country in the world under one sovereign ruler; and those who expect that this can be done in a hurry, expect too much. It cannot be so done and done *well.* It will take time, and if any attempts at undue acceleration be made, the system will assuredly collapse, and bring discredit on the British Government. The grand principle, as repeatedly reiterated in this review, is "convertibility at all times;" and wherever a department or branch departments of issue can be opened, within a *small* circle round these centres, the Government may fairly anticipate a circulation for its notes commensurate to the full with the wants of the people. Beyond this a minister need not seek to go; if he attempts it, he will fail and fall.

Following out, then, the principles of the theory, the cities should be first occupied, then the large towns, then the smaller towns, and so on to the end. But it must be remembered that a Government system of currency cannot take the place of banking facilities without great disadvantage to the public and loss to the State, and therefore any attempts to make it do so should be carefully avoided. A government office of issue or local treasury cannot afford those solid benefits to the commercial enterprise of a country which form essentially the business of banks; nor, on the other hand, can the public expect, nor have they a right to expect, to find any amount of gold and silver whereever they may require it, and so throw the whole burthen of the internal exchange on the government of the country. For these reasons, it is obviously desirable that the currency of the country should be extended through the agency of association banks, and not through the medium of government

treasuries. But as it is equally obvious that in dealing with a country of the immense area of India—a country which has long been occupied by an extensive system of native banking establishments, conducted on peculiar principles, but of singular integrity—the inauguration of a new system must be attended with considerable difficulty; some departure from the rules ordinarily observed in other countries in like cases must necessarily be allowed, or the great "State engine" will have to wait many years before it is fairly set in motion. Thus, if India is not to have a paper currency of any expansion until to establish English banks throughout the provinces will *pay*, the advantages of these institutions will be very long deferred. If, then, the object be the real benefit of the country—in the profit of which the Government is to be an indirect and not a direct sharer—it would be wiser, in the outset, to look for prospective rather than for present advantage; for if Government attempt *at once* to utilize

its balances, instead of leaving them to the banks that are to do its business and to circulate its notes, banks cannot be established at all. The attempt has already been made, and very lately, by the Agra and U. S. Bank, the most enterprising of our joint-stock banking establishments, in Amritsar, one of the largest commercial towns on this side of India; but after working for some time at a considerable loss, it was found necessary to close the branch. Without the help of Government, then, we cannot hope for English banks in India to any great extent; but wherever there is room for a bank, there the Government may profitably aid in the establishment of a branch of the bank of the presidency, or division of the presidency, with which it may be connected. For the rest, if a currency is considered desirable in India, as far as the encashment of the notes is concerned, the Government treasuries should supply the place of banks, until such time as they can be set up—*no longer*.

But if such a course is adopted, it should be with a distinct understanding as to the relationship existing between these treasuries and the public—that they are substitutes for *banks*, and bound only to cash notes to the extent of their ability, and not substitutes for the central or departmental offices of issue where the notes are convertible of *right* at the pleasure of the holders. And it is here that we see the great advantage of not making currency notes legal tender. For as long as it is left optional with the public to take notes payable of right only at certain places, Government, having provided for their ultimate conversion, is fairly and legitimately entitled to claim the like privilege in regard to payment, which it certainly could not *justly* do were the notes legal tender. If a man deposits with me, on my receipt, fifty sovereigns in London, to keep until he chooses to demand them, he has no *right* to claim them back from an agent of mine at Constantinople; and this is the whole case. At

the same time, with treasuries as with banks, no treasury should be declared open for cashing notes at which the balances are not usually of such an amount as to give reasonable hope that they will be able to meet all demands arising out of the ordinary transactions of the people of the place; while all attempts to make use of the currency for the purposes of embarrassing Government, or for large remittances, should be met by refusal of payment. By this means, as all persons requiring to use notes for legitimate purposes, *i.e.*, as substitutes for coin, would have a sufficient guarantee for their ready convertibility; and as all persons attempting to put them to a use for which they are not calculated and were not intended would be deprived of that certainty of payment which constitutes the essence of a good bill of exchange, the practical result would be, that all notes presented would be cashed, and, such being the case, they would soon obtain a circulation within reasonable limits at all

treasuries advertised as open for the encashment of notes equal to the wants of the community, and this is all that should be required.

That fair success would attend a measure of this kind I do not think there can be any reasonable doubt, for it is one that would be obviously beneficial to the people; but I am not quite so certain that the advantages to Government would be as great as many seem to think, especially if notes were receivable at *all* treasuries in payment of revenue. View the question as I may, I cannot get rid of certain conditions unfavourable to the issue of Government currency notes in a country circumstanced as India is at present. The ingenuity of man can do much; but the ingenuity of man cannot overcome all things. Thus railways and telegraphic wires will aid us considerably in facilitating arrangements; but they will not enable us altogether to annihilate distance and space. Bullion now is received only at

Bombay and Calcutta, and as Peshawar and other frontier stations are at least fifteen hundred miles from these places, the encashment of a Government note at any one of them means plainly, not the payment of the quantity of silver delivered at the mint in Calcutta, but the payment of that amount, and the additional sum it has cost to transport it to places fifteen hundred miles off. True, there are facilities in the ordinary machinery of Government which will enable it to transport coin to central treasuries at smaller cost than private persons; and the profit and ultimate advantages to be anticipated from a currency of wide expansion would probably well repay this cost; still it is a concession to the public of tangible value that can be estimated in money, and that, in considering this subject comprehensively and completely, cannot be set aside or overlooked. Formerly, in consequence of the very large military escorts continually employed on treasure escorts, the cost of trans-

porting the precious metals was immense. Now it is considerably less; but still it is very great—so great, that the natives of the country, who deal largely in gold and silver bullion, take enormous risks, sooner than make the difficult and expensive attempt of making private arrangements for its safe transport. I am probably within the mark when I say, that precious metals to the value of upwards of £1,000,000 are annually sent from Calcutta to the north-west by the ordinary Government transport and postal services, in spite of stringent orders to the contrary, and the strictest efforts of Government to prevent it; and it is highly creditable to the safety, efficiency, and integrity of the management of these services, that there is no want of native bankers at all times ready to insure the safe delivery of these parcels at a very moderate premium.

It would confer, however, a very great boon on the public, and at the same time not only check irregularities, but be a considerable

source of revenue, if existing facilities for obtaining bills on Government treasuries at a fair rate of exchange were enlarged. Indeed, if a system of currency were generally introduced, this would be desirable as a protective measure, as a means of reducing to the lowest the probabilities of persons taking advantage of the notes for the purpose of making remittances.

There are, no doubt, many other points which it might be desirable to notice, in considering a system of currency for a new country; but they are points of detail. What has been said is sufficient for the purposes of this review. To follow out correct principles, in a manner adapted to the circumstances of India, is what is essentially necessary; and to use the words of Lord Macaulay, "*let the Government do this—the people will do the rest.*"

# CHAPTER VIII.

## GOLD.

We now come to a point in the inquiry which, though intimately connected with it, is of far greater importance as regards the currency of a country than paper money. I allude to the *standard.*

The standard, under the Indian Government, has long been silver, and hitherto it would appear to have answered all purposes tolerably well. As shown in the early part of this review, there was comparatively very little of the metal in circulation. It cannot, however, be said that it has not occasioned inconvenience, for it is the very bulky nature of the coinage of the country, combined with the absence of banks, that necessitates all men of rank having treasurers, and has caused the substitution, among Europeans, of payments by receipts instead

of in cash—a practice which, as encouraging illegitimate credit, has involved hundreds in debt. But the transactions of the upper ten thousand, however, are but of small importance in comparison with those of trade and commerce, and for long these would not seem to have been much affected by the maintenance of a silver standard. Of late years, however, serious inconvenience has resulted from the inefficiency of the currency of India to supply the wants of trade, and loud have been the demands of the merchants and traders of Calcutta, native as well as European, for the introduction of gold in some shape or other. Many were the advantages that were set forth as likely to result from the limited employment of gold in the currency of the country, and many the modes that were suggested for bringing them about, without impairing the real value of the standard. Some proposed a double standard of gold and silver; some desired to maintain a silver standard but to

let gold coins circulate, fluctuating from day to day, according to their market value; some suggested that instead of the value of the gold coins fluctuating daily, their value should be adjusted periodically; some considered that the English sovereign should be made legal tender for Rs. 10, but limited to Rs. 20; and some proposed to change the standard from silver to gold and to introduce the English system in its full integrity.

The impossibility of maintaining an arbitrary or fictitious value in any one country for metals in universal demand, and the equal impossibility of metals fluctuating daily or periodically in value and still retaining the attributes of current coin, were sufficient reasons for rejecting all these propositions but the last. It was admitted that the English system was the best that had yet been devised; and seeing that of the various systems that have yet been adopted in Europe and America, this is the only one that has satisfactorily stood the test of changes in

the relative values of gold and silver, there would appear to be some reason in the admission. It was objected, notwithstanding, that the system could not be introduced into India, and the principal cause assigned was that the standard of the country having long been silver, and consequently all obligations being contracted in that metal, to change the standard now to gold, a depreciating metal, would be to defraud the creditor for the benefit of the debtor, and to break public faith.

Now, were the change made immediately on the discovery of new and rich sources of supply, in anticipation of large quantities of gold being thrown on the markets of the world, and with the object, avowed or concealed, of profit, I admit it would be a dishonest act, discreditable alike to an honourable minister and a good government; but from every other point of view the argument appears to me to be fallacious. For what are these contracts or obligations which are spoken of?

They are agreements, it is said, to deliver, at a given time and place, a stipulated quantity of gold or silver, as the case may be; and the argument is, that if the standard at the time a contract was made were gold, it would be dishonest to deliver silver, if that metal is depreciating in value, and *vice versâ*. Mr. Wilson, in a *minute* on the introduction of a gold currency into India in 1859, says:—"We have to deal with a long established standard of silver in India, in which liabilities to a large amount, in the shape of public debt, and obligations of varied character running over a long series of years, have been incurred in silver. For it must be borne in mind that a contract to pay a given sum of money is nothing more nor less than a contract to deliver a given weight of that metal which is the standard at the time the contract is made, and that to alter or vary the standard, and to adopt another metal because it is cheaper, is simply to enable the debtor to break faith

with the creditor. It is true that the metal in which a debt has been contracted may fall in value by a large increase in its quantity, but that is a risk which the creditor runs, and of which he has no right to complain. In like manner, the metal may rise in value, but that is a risk which the debtor incurs when he enters into the transactions, and of which, therefore, *he* has no right to complain."

And he illustrates his point thus:—

"If two men enter into a contract, one to deliver and one to receive a given quantity of wheat at a distant day, however much wheat may have fallen in price in the meantime, the receiver has no right to complain any more than the deliverer would have, had it in the meantime risen as much in price. But if the person whose duty it was to deliver wheat, finding that it had risen much in price since the contract was made, sought to deliver barley or some other grain which in the meantime had become relatively cheaper, the in-

justice of such an attempt would be plain. But it would be equally unjust, after a contract had been made in a silver standard, to change the standard into gold because it was becoming more plentiful, and, in relation to silver, likely to become cheaper."

But if the question we are considering is the improvement of the currency of a country as a whole, I cannot, I confess, see any very sound reasoning in this argument. For though it may serve us at the particular point at which it is made use of, and look exceeding fair, if we push it a little either way where will it lead us to? It will lead us back to the days of leather, beyond which we could not have advanced even to iron, much less to silver or gold. And no one will, I think, aver that if the Tycoon of Japan had contracted debts in leather, he would thereby, now and for ever, be prohibited from introducing gold and silver into the currency of his country. Or if we go forward, we will find it to be much the same thing, for, as has been shown,

in the highest stage of commercial advancement, gold and silver are not a medium of exchange at all; and that whether the standard be gold or silver, or anything else, as long as it is universally recognized and accurate, it matters very little. The standard is simply the *regulator*, and I conceive it to be the duty of a wise and good Government, acting in the interests of *all* its subjects, and not favouring either its own debtors or its own creditors, to maintain that metal as the standard which shall most accurately and best perform the office of such, and to substitute one metal for another *as often* as circumstances *necessitate* it; for I apprehend that contracts for money are made in the standard coin of the realm, and not in leather, or iron, or brass, or copper, or silver, or gold; and that the essence of all contracts *of this nature* is, that the payment made shall be the equivalent *in value* of the consideration received at the time that the debt is liquidated. As the world goes round, it carries us, silver, gold, governments, and all,

along with it, and governments are as little responsible for the changes thus brought about as for the rapidity of its revolutions, though they are bound to accommodate their action to the altered circumstances of the times. It would certainly be extremely inconvenient if governments were to be continually changing the standard on the slightest indication of an alteration in the relative values of the precious metals; but it would be worse than inconvenient—it would be absurd and ridiculous to lay it down as a maxim, that governments who considered it wise to maintain a single standard could not, however beneficial it might be to the country and the people, change that standard without being accused of an intention to defraud their creditors and to break faith with the public. If a principle is worth anything, it will always be true from all points of view; and how will this principle look if we turn it upside down? Were silver to become so scarce, and its value expressed in gold to become so altered, that *one* silver

shilling came to be worth *twenty* gold sovereigns, would the Government of Great Britain be compelled to retain a single standard of gold because all contracts in England had been made in that metal? Would it be just to defraud the public creditor of to-day by paying him in the coin in which his ancestor, a century ago, had lent money to the State, because the public creditor who lent the *guinea* knew that it was liable to fall in value to the twentieth part of a *shilling?* It certainly would not; and if it be said that this argument will cut both ways, I reply, that *that* is the very strongest proof that it is the duty of a wise Government to regard first the welfare of the State and the interest of the whole community, and not the interest of any particular class. For, on the other hand, were the Government, in a case such as that here put, to receive payment of its debts,—to collect its revenues, in gold, how, I would ask, could the Queen's service be carried on? It could not be carried on at

all; and this, I opine, is some ground for asserting that the argument, if theoretically sound, is practically, at least, false. It certainly may be applied in cases where an intention to defraud is self-evident, with force and advantage—such, for instance, as occurred the other day in America, when an attempt was made to pay off old mortgages in *greenbacks*, which are not money; but this merely exemplifies more strongly than anything I have said the grave objection to making notes—except under very peculiar circumstances—legal tender, and is in no way a parallel, for, *precious chaus* excepted, paper has never been standard money anywhere.

Mr. Wilson's illustration, again, is not a happy one, for in a change of standard, it is, of course, presumed that an adjustment of values takes place—that a fresh start is made; and if a man bound to deliver, at a particular time and place, so many sacks of wheat, delivers an equal number of sacks of barley, and so many more as will make the *value*

of the barley delivered equal to that of the wheat received, though the result may be a little inconvenience, there is certainly no loss. On the contrary, had everybody in the meantime taken to eat barley cakes instead of wheaten bread, even all the inconvenience would lie the other way. In short, in discussing the principles of a sound system of currency, this objection seems altogether out of place, and I should not have devoted so much time in attempting to refute it, were it not that, being propped up by a high moral principle, it is apt to carry more weight with the public than it is deserving of. That it cannot be practically sound there is no doubt, for, were it otherwise, how has it happened that within the present century in England, and within the last ten years in America, the standard in these, the greatest commercial countries in the world, has been changed, admittedly to the great benefit as well as the great convenience of their people? The standard in any country, where there is an

approach to a constitutional form of government, should not be changed against the wishes of the people; but where the people, holders of Government securities, as well as others, demand it, opposition from Government will always look suspicious.

It must be recollected that all business contracts between merchants, tradesmen, and individuals generally, are made and concluded within twelve months. In India, moreover, we have, I regret to say, few long leases, and consequently rents do not enter into the question. We have little else to deal with, then, than the Government debt, and salaries and pensions. But the loan bearing the lowest rate of interest being nearly at par, and the highest at 18½ per cent. premium, no possible embarrassment could occur on the score of debt, and servants and pensioners would certainly not object to receive gold instead of silver in any part of India. But there is another point from which to look at this question. If Governments have contracts of long

standing with many creditors, and large payments for interest of debt and under other heads to make, they have contracts with the whole community under which they have to receive very much larger sums than they have to pay away. The interest of the national debt of Great Britain is about £25,000,000; the revenues of the kingdom are about £70,000,000. The interest of the national debt of India is about £5,000,000; the revenues of the empire are about £45,000,000. In India, moreover, a very large portion of the revenue is drawn from land, which is fixed, for thirty years, fifty years, and in Bengal for ever. It is clear, then, that if any loss were to accrue to the public creditor from a change in the standard, very much greater loss would accrue to the Government; and all the arguments that have been adduced against the introduction of gold into the currency of India, however much in the interest of the creditors of the State, are still, I doubt not, tinged with a timorous anxiety on this score. Symptoms of alarm

first showed themselves some years before the agitation regarding the introduction of gold coins—*viz.*, on the discovery of the large gold deposits in Australia. There was, naturally, at that time, much discussion in all countries in which gold and silver were in circulation as coin, as to the consequences of so large and so sudden an increase to the quantity of gold in circulation in the world; and it is curious, if not interesting, to observe the action of the great commercial nations of the world on the occasion. There was so little gold or silver in the money of Austria, and most of the German States, that there was not much room for alarm regarding its further depreciation. England preserved her single standard of gold. France retained her double standard; but at once coined largely in gold, until in four years the whole of the current coin in the country was gold. America went further: she changed the basis of her currency, making gold the standard, and silver coins simply tokens as in England. Holland and Belgium

demonetized gold altogether. And India, what did she do? The standard since 1835 had been silver; but since 1841 gold coins had been received at all Government treasuries in payment of revenue, and at the time (1853) they contained some £500,000 in gold,—no more. But notwithstanding the smallness of the amount in gold in the Government treasuries, the financiers of the day were so much alarmed at the threatened depreciation of the metal that they withdrew the privilege of paying in gold, failing altogether to perceive that, by their own act, they were aiding materially in bringing about the very result it was their desire to neutralize. Had France and America followed the example of India, no doubt the price of gold would have been materially affected, and very serious complications would have arisen in the markets of the world,—far more serious in those of India than in any other; but fortunately the financiers of these countries were wiser and better acquainted with the common laws of supply

and demand than those of India. They at once saw the danger in its true light, immediately absorbed all the gold that was produced, and set free large quantities of silver, all of which came to India and China. Had France and America demonetized gold as did Belgium and Holland, it is difficult to say what would have been the result on the currency of the world; but one thing is certain—that silver would have risen enormously in price, and it would have been impossible for India to have obtained the enormous supplies of that metal she has drawn from the West within the last ten years, for the purposes of pressing on those great public works in which both she and England are equally so deeply interested. As it is, things have been adjusted by those self-acting laws, which, when unfettered, solve economic problems most satisfactorily. Gold has been very little depreciated; and the price of silver, as the following table of the average price of bar silver per ounce in

London for the last ten years will show, has not risen at all:—

| | |
|---|---|
| 1853 ... ... ... ... ... | 5*s.* $1\frac{1}{2}$*d.* |
| 1854 ... ... ... ... ... | 5*s.* $1\frac{1}{2}$*d.* |
| 1855 ... ... ... ... ... | 5*s.* $1\frac{1}{2}$*d.* |
| 1856 ... ... ... ... ... | 5*s.* $1\frac{3}{8}$*d.* |
| 1857 ... ... ... ... ... | 5*s.* $1\frac{3}{4}$*d.* |
| 1858 ... ... ... ... ... | 5*s.* $1\frac{1}{4}$*d.* |
| 1859 .. ... ... ... ... | 5*s.* $1\frac{7}{8}$*d.* |
| 1860 ... ... ... ... ... | 5*s.* $1\frac{5}{8}$*d.* |
| 1861 ... .. ... ... ... | 5*s.* $1\frac{7}{8}$*d.* |
| 1862 ... ... ... ... ... | 5*s.* $1\frac{3}{8}$*d.* |
| 1863 (six months of) ... ... ... | 5*s.* $1\frac{3}{8}$*d.* |

It is clear, then, that the fears and alarms of Indian financiers were altogether groundless; and that by their retrograde policy a good opportunity was lost of conferring a very great boon upon this country. An attempt has since been made to introduce a paper currency, and it is thought by some that paper, to a great extent, will take the place of gold; but, independent of the objections to the circulation of notes of small value which led to the abolition of £1 notes in England, in India we have as yet no machinery

for a very wide circulation of paper money. Paper money, moreover, is quite unknown, while gold has been in partial circulation for a thousand years, and is very highly appreciated by all natives. Under the circumstances, forcibly to exclude gold, as contrary to the principles of a sound economy, is an un-English policy; and as creating an unnatural appetite for silver at the very moment that a large influx of gold is likely to give it relatively an appreciating value, is hurtful to the interests of trade all over the world, but more so within India herself than anywhere else.

It has been demonstrated in a former part of this review that the quantity of current coin in circulation in India is altogether inadequate to the wants of the country,—so much so that in many parts of the interior exchanges can still be effected only by the most primitive mode—barter. It has further been shown that the three mints of India have, for the last ten years, been coining

silver at the extraordinary rate of £8,000,000 a year; and it has been approximately estimated, that assuming India to continue advancing at her present rate of progress, to supply her ultimate demands 4,000,000,000 of *silver* rupees may yet be wanted. This estimate may or may not be true—as before stated, we cannot predict the material progress of nations; but be that as it may, whether India moves slowly or moves quickly, or whether gold be or be not introduced into her currency, considering that the normal rate of wages for labour averages from six to ten shillings a month only, and that consequently the payments of the masses are always small, it is tolerably certain that for long—perhaps for centuries to come—there will be a very great demand for silver throughout the country; and that if it be retained as the sole legal tender, the drain on the West for that metal will be enormous.

It would be wise, then, in the interest of both England and India, to look the difficulty

full in the face now, rather than to wait until such time as the former is inconvenienced by a rise in the price of silver, and the latter is embarrassed by a want of currency. It is obvious that, being (except to a very limited extent) simply substitutes for coin, notes can bring no relief. The real question is, can India procure the silver she requires to supply all her future wants? And first it must be premised that she has no working mines of her own, nor are there any in the East; and consequently all the silver she requires must come from the West. From this source, directly, and through China, she has now been drawing at the rate of about £10,000,000 a year for a considerable time, and she seems almost as far off being saturated with silver as ever. Still there has been comparatively no rise in the price of silver in the London market; and a not unreasonable inference would be, that as her great main lines of rail and telegraph are nearly completed, and her wants will probably be more gradual in future

years, she might continue to go on drawing against her produce from the same sources as heretofore without causing any serious inconvenience in the West. But in examining this question, it is not enough to be satisfied that India's wants, though very great, have hitherto been readily supplied. We must go a little below the surface—we must inquire how this result has been brought about without causing any disturbance to the bullion markets of the world. And the problem is easily solved. The silver which was displaced in America and France by the introduction into those countries of gold has hitherto supplied the wants of India. At the same time, it must be obvious that these sources of supply cannot last for ever—they must have an end—and I should think it highly probable that the time is not far distant when that will take place; and India will then be thrown on the *mines*.

Now, all information regarding the produce of the Mexican, Peruvian, and other silver

mines of America, as well of those of Russia, is unfortunately very defective. There is little doubt, however, that they are very far from being exhausted; but there is quite as little doubt that silver will not be produced from them in any very great quantities without an addition to the cost of production commensurate with the progress of the world; or, in other words, the increased cost of living. It follows, then, that if it be possible for India to obtain all the silver she wants, she will have to pay more for it; and the prime error the financiers of India committed was in legislating as if they were dealing with a commodity of which India possessed a monopoly, instead of one monopolized by other countries, and which, of all nations on the face of the globe, the country they governed stood most in need of. Formerly, we had no Minister of Finance in India, and councillors in ordinary were not supposed to have any special knowledge of currency and bullion questions; but they ought to have known that there was

comparatively very little silver in India, and that the enormous quantities of this metal she was likely to require, she would be obliged to purchase in foreign markets. Mr. Wilson, on the other hand, was undoubtedly a man of great genius; but he was a stranger to India, and he could not have been expected to be so familiar with the circumstances of this great peninsula as his Anglo-Indian predecessors. But let the knowledge of the Indian financiers who preceded Mr. Laing regarding India and her wants have been great or small, the fact is irrefutable that the tendency of their financial policy on the discovery of the gold deposits in Australia, or in 1852, was to give an enhanced value to that one commodity of which India had least, of which of all others she stood most in need, and of which she was certain to be the largest purchaser. The anticipated result of such a course could only be very grievous loss to the Government, as well as to the country, and that, up to the present, both have been saved

from it, is due to fortuitous circumstances, which the India of *that* day could not have foreseen, and which the India of *this*, or any other day, is impotent to regulate or control,—and not to any foresight on the part of her rulers.

It would seem, then, that the question of a gold currency in India, as far as published sources of information will carry us with it, and my humble judgment will enable me to form an opinion, has not been rightly understood; and though Mr. Wilson was never tired of reiterating truisms regarding current coin, it is very difficult to reconcile some of his arguments with sound principles of political economy, or to attribute the action of the financiers of India before his time to anything other than vain attempts to regulate natural laws,—a remnant of protection still. It is not strange that such should have taken place under a *régime* the ruling financial idea of which was to continue diving into a bag, and fishing up rupees as long as there were any

in it, and guarding against its becoming empty by constantly refilling it by loans which were never closed. But the good old days when silver was got by shaking the Pagoda tree have passed away, and Indian finance has been placed on a sounder and firmer basis. Hence I have little doubt that when next the subject of the currency of India comes up for consideration, the attention of both Her Majesty's and the Indian Governments will be directed to the question here reviewed,—not as one purely of profit or loss to the Indian exchequer, but as one of considerably greater importance to the interests of this country, England, France, and the civilized world, than has hitherto been supposed; and in this supposition I venture to think that its discussion now may be productive of no harm. For my own part, on a subject of such difficulty, involving, as it does, interests of great magnitude to the world, I am inclined to express positive opinions with extreme caution, and any opinion at all with consider-

able hesitation. It is with much diffidence, therefore, that I venture to add the following brief sketch of the leading features of the case, as they present themselves to my view.

The superior advantages of a gold currency to any country are so obvious that it is quite unnecessary to enlarge upon them here. Its hardness and portability are alone sufficient to make it preferable for coinage. I shall not, therefore, dilate on these advantages, but at once, assuming them admitted, proceed to consider the question in its other bearings. And first I would draw attention to the position of India with regard to the sources from whence the precious metals are at present drawn. She is a very long way from Mexico and Peru; she is close to the gold-fields of Australia, Burmah, China, and Japan; and consequently, while there are considerable doubts regarding her being able to procure all the silver she requires—though little doubt that, if she can do so, she will ultimately have to pay much higher rates for it than at

present — there ought not to be the same doubts as regards gold. Now it requires to be kept carefully in view that she requires to absorb very large quantities before she will be saturated with the precious metals. Gold she can obtain, apparently, more readily and ultimately on better terms than silver; and these are strong arguments in favour of gold. But stronger arguments are, that if gold be once *fairly* introduced, India will no longer be in straits for silver; the drain of that metal from the West will cease; the par of the *real* exchange will be restored; the internal exchange of the country will be much improved; and all fears regarding the depreciation of the precious metals in the West will be at once dispelled.

But all, unfortunately, is not gold that glitters. There is *one* serious difficulty in the way of introducing gold into the currency of India; and though only one, it does not appear to have been noticed among the objections that have been raised to the mea-

sure, which is strange, because it is very obvious. It is the same difficulty which has beset us in regard to the silver question; and the same difficulty which has long so sorely puzzled the economists of the West, as to induce them to liken India, in regard to her power of absorbing the precious metals, to the sieves of the Danaids. It is the difficulty of quantity—a difficulty which, arising out of the vastness of her area and population, the scattered and limited number of her cities and towns, the circumstances and habits of her people, and other peculiarities of her present condition, time alone, I fear, can fully overcome. It was altogether erroneous to suppose that there was a probability of any very great or immediate depreciation in the value of gold in India. The demand for it has always exceeded the supply; and though its price in the various localities in which it is in greatest demand fluctuates considerably, that it has not fallen at the chief place of import since payment of revenue in it was

prohibited, the following table will satisfactorily show.*

*Price of Bar Gold at Calcutta, per Tolah of 22 Carats fine.*

| Year. | Extreme fluctuations in price of Bar Gold per Tolah of English standard fineness, | At Exchange of 2s. per Rupee, equal to, per oz. |
|---|---|---|
| 1853 ...... | Rs. 14 6 0 to 15 4 0 | £3 16 8 to £4 1 4 |
| 1854 ...... | 14 8 5 to 15 2 3 | 3 17 6 to 4 0 9 |
| 1855 ...... | 13 14 9 to 15 2 4 | 3 14 3 to 4 0 9 |
| 1856 ...... | 13 14 11 to 14 7 6 | 3 14 4 to 3 17 2 |
| 1857 ...... | 14 3 8 to 15 4 11 | 3 15 11 to 4 1 8 |
| 1858 ..... | 14 10 4 to 15 3 6 | 3 18 1 to 4 1 2 |
| 1859 ...... | 14 15 11 to 15 9 2 | 4 0 0 to 4 3 1 |
| 1860 ...... | 14 8 6 to 15 2 3 | 3 17 6 to 4 0 9 |
| 1861 ...... | 14 7 0 to 15 2 6 | 3 17 0 to 4 0 9 |
| 1862 ...... | 14 9 4 to 15 0 9 | 3 17 9 to 4 0 3 |
| 1863 ..... | 14 10 10 to 15 3 11 | 3 18 3 to 4 1 4 |

Gold is now, and for several years has been, at a premium in Calcutta; and if it is at a premium at the place of import, it is very clear that whatever that premium be, as a rule, it will be proportionately greater as we advance further into the interior. The fol-

* I am indebted for the above table, as also for that showing the price of silver, to the kindness of Mr. W. Anderson, the very able manager of the Oriental Bank.

lowing table shows the rates for gold coins ruling at the places mentioned, as furnished by a native banker of this city (July, 1863).

| Cities. | | Gold Mohurs. | | | English Sovereigns. | | |
|---|---|---|---|---|---|---|---|
| | | R. | A. | P. | R. | A. | P. |
| Calcutta | ... ... | 15 | 0 | 6 | 10 | 3 | 0 |
| Nagpoor | ... ... | 15 | 2 | 6 | 10 | 3 | 9 |
| Lukhnow | ... ... | 15 | 2 | 6 | 10 | 4 | 0 |
| Lahore | ... ... | 15 | 3 | 0 | 10 | 4 | 6 |

Now as long as gold maintains its present price in relation to silver at the places of import, except for the convenience of assay and refining, it is not likely to be coined in any great quantity, because shippers will find it more profitable to sell it in the market than to take it to the mint; and for a similar reason, were the price of gold to fall in Calcutta and Bombay, the moment gold coins came into circulation up country, there would be danger of their being hoarded, or finding their way, in spite of the law, to the melting pot. These are serious difficulties, which are

augmented again by India having no balance of trade to adjust with Australia or other gold-producing countries, and the impossibility, as long as standard gold is purchased at the present rate at the Bank of England, of India obtaining supplies from the West. These facts show very forcibly how groundless were the alarms regarding the depreciation of gold; how needless the prohibition of 1852 against receiving gold coins at the Government Treasuries; and practically, how false the principal argument has proved to be, on which the refusal to accept payments in gold was based. Instead of creditors being defrauded by being paid in gold, a metal of depreciating value, it would seem that, in reality, it is the premium that that metal bears in relation to silver which is the greatest obstacle to its introduction into the currency of India.

But, though this is a difficulty as long as silver remains the standard, it would be no difficulty were the standard changed to gold; for however accurate the mint valuations of

gold and silver in any country may be at the time they are fixed, they very soon cease to be identical with the real values of the coins in circulation, and hence the impossibility of maintaining a double standard. The metal that is undervalued is certain to leave the country, and the other alone remains, as has taken place within the last few years in France. It is this fact that makes the English system preferable to the French; and which no doubt induced the United States to abandon the latter in favour of the former; and it is this fact, combined with the enormous quantities of the precious metals that are necessary to supply the ultimate wants of this great peninsula, that makes me think it extremely desirable that no legitimate means should be neglected of relieving the strain the demands of India will eventually cause on the supply of silver in the world, if her current coin consists entirely of one metal.

It is only, then, by changing the standard to gold, and making silver coins simply

tokens, that we can effectually accomplish the desired end—admitting *both* of the precious metals to circulate without running any risk of losing either. This was done in America so short a time back as 1854; and I have no doubt that many people think it might be done equally readily in India. But it does not appear to me to be a measure of such great simplicity, because there is now a scarcity of gold in the country for the purposes of trinkets, ornaments, &c., and for hoarding, and none in circulation at all. There is, consequently, *first*, the difficulty of obtaining any gold; and *secondly*, there is the difficulty, as long as its price fluctuates as it does at present, if obtained and coined, of maintaining it in circulation. If Government, therefore, all at once declared gold to be the standard, it would be compelled to issue it in large quantities from the mint; and if it did not flow into the country at present rates, it would be necessary to purchase it at a higher price than the market rate, and issue it at a

loss, which would seriously affect the revenues of the State. But if, on the contrary, Government issues gold coins of fixed value, and does *not* make gold the standard, or at least legal tender, nothing is gained. Gold *mohurs* are now coined, which are, or were, at least, expected, by some process unknown to economists, to come into general circulation; but of course they have not done so, and for the plain and intelligible reason that they are not coins, but simply bits of gold of a certified weight and fineness, and as such have been and are extensively dealt in by the trade. It has often been proposed, again, to make gold a legal tender up to the limited amount of, say £10 or £20; but this proposition is so opposed to both theory and practice that I do not think it necessary to discuss it. Nor, indeed, do I see any way of effectually disposing of this very important question, short of making gold the standard, as in England, and silver subsidiary to it. But this, because of the difficulty of obtaining gold in sufficient

quantities, I have just stated to be at present impossible; and how then shall we extricate ourselves from the dilemma? I confess that I do not see my way through the difficulties I have alluded to as clearly as, considering the great importance of the subject, I should wish; and that the following solution of them, if it may be called a solution, is not *positive.* Still, it appears to me to involve little danger, while it affords, I think, fair probabilities of success.

It will be observed, from the table of the current prices of bar gold prevailing in Calcutta given a few pages back, that for the last seven years it has only once, and that slightly, fallen below the Bank of England rate; and that at the average of its fluctuations for the last ten years, it has generally been a little higher. I would, therefore, boldly declare that at every mint in India the Government of India would receive gold at the Bank of England rate per ounce of standard fineness, and coin all that was

tendered, issuing notes in lieu of it. This measure, if successful, would at once *fix* the price of gold all over India; for no shipper, with all his senses sound, would sell his gold for less in the market than the price he could obtain by carrying it to the mint, and no buyer would pay more for it than it would cost him to buy coins. Such an arrangement would at once relieve us from perhaps the greatest obstacle in the way of a gold currency—the fluctuations of the market—and leave us simply the difficulty of the internal exchange, common alike to silver, which, though railways will help to remove, cannot be reduced to the lowest point until the distribution of current coin throughout the country is more even and more proportionate to the wants of the people than at present. The only question that arises is, in the absence of trade with Australia or other gold producing country, Will gold flow into India at £3. 17*s.* 9*d.* an ounce? It is clear that we cannot give *more* than the Bank of England; but my impression is, that it will not

be necessary. In the present fluctuating and unsatisfactory state of the Indian gold market, gold does flow in at the rate of £2,000,000 or £3,000,000 annually, and I have no doubt that if, under the arrangement proposed, it did not, in the ordinary course of trade, flow in more rapidly than before, considerable quantities would reach us indirectly, for the purchase of bills on England, from Australia, China, Japan, and the Straits' settlements, when the exchange was favourable. I attribute the small quantity of gold which now reaches India, in a great measure, to the great uncertainty of the market rates, though I readily admit that the attempt to rectify this evil would be the experimental part of the measure; but, as I should not purpose any present alteration in the silver standard, no harm could result to either Government or the community at large by the adoption of the change suggested. If the adoption of the valuations of gold *already fixed* at the great centres of the trade and commerce of the world did not affect the market

here, and the gold that reached the country continued to be sold at a higher rate, any coins in circulation would rapidly be absorbed, and the mint, receiving no gold, could issue no gold coins, so nobody would be the better or the worse, while, as the value of standard gold could only be effected by an alteration in the mint valuations at Paris and London—of which the Secretary of State for India, as a member of the British Cabinet, would have as early intelligence as anyone else,—no loss could possibly accrue to the Indian Government by a reduction in the price of gold. It will thus be seen that I do not propose to *fix* anything here; merely to say, "We will pay the same price for gold as the Bank of England pays. If it suits you, well; if not, India will wait until it does."

It will be objected, of course, that such a measure would drift us on the rocks of a double standard—that when silver was overvalued, gold would not flow in, and when undervalued would flow out of the country;

and the principle is undisputed. But by such an arrangement silver would not be overvalued as regards its value expressed in gold in the West; and as regards India, the currency of the country being deficient for the wants of the people, the only effect of such a measure, I opine, would be, that a great part of future additions to the currency would be made in gold instead of silver, which is just what is required, as much for maintaining the equilibrium of the standard of value throughout the civilized world, as for the benefit of India herself. As long as notes of the value of ten rupees are issued, the introduction of gold would certainly interfere with the circulation of paper, but only to a small extent; and on the first symptom of a redundance of gold, which would probably not show itself for a long time, the country would be ripe for the introduction of a single standard of gold, as adopted in England, in its full integrity; and to bring it to this condition, is that which appears to me so highly desirable, and the

point to which, in my humble judgment, future legislation in India, in regard to currency and the standard, should tend.

If the desired object can be better attained by any other measure than that which occurs to me, it is well. The standard of value in any country is of too serious and vital importance to every individual of the community, for any honest writer to desire to advocate the adoption of unsound theories or crotchety opinions; for the hasty acceptance of any measure that did not give reasonable hope of a permanent result, could not be otherwise than hurtful to all the interests at stake. At the same time, in India, difficulties have, I think, been somewhat exaggerated. It must be borne in mind that real changes of the kind can be effected by the action of the people alone. Governments are powerless to alter natural laws; and it is because such is the case there is so much the greater reason that having taken such wise precautions as are necessary to protect the interests of the State, of com-

merce, and of individuals, they should not forcibly interpose their power to interfere with these laws, but leave them to be adjusted by self-action, or, in plainer terms, *let things alone*.

Looking to the immense area in Asia alone that has yet to be brought under the influence of civilization, I look upon alarms regarding any material depreciation in the value of the precious metals to be altogether groundless; and that the markets of the world have so easily and so readily absorbed the additional supplies thrown upon them by the discoveries of California and Australia, is some proof of it. Were, moreover, a fall in the price of gold to take place, though detrimental to the few, it would certainly be advantageous to the many; and, as such, we would have no right to hail the change as other than a blessing. But, be that as it may, this, as well as fluctuations in the relative values of gold and silver, can only be the result of circumstances altogether beyond human control, and cannot be affected in

any way by the theories and propositions of writers, be they statesmen, politicians, or moralists, which, however dazzling and glittering they may be made to appear, have, like other things, *a market value.*

# APPENDIX.

## EXPORT OF BULLION FROM LONDON TO THE UNDERMENTIONED PLACES DURING THE HALF-YEAR ENDING JUNE 30, 1863.

| 1863. | Gold. | Silver. | Total. | Corresponding period, 1862.—Total. |
|---|---|---|---|---|
| | £. | £. | £. | £. |
| Belgium ... ... | — | 45,400 | 45,400 | 170,287 |
| France ... ... ... | 2,392,300 | 512,845 | 2,905,145 | 3,066,763 |
| Hanse Towns ... ... | 1,019,260 | 316,070 | 1,335,330 | 116,190 |
| Holland... ... ... | 1,200 | 197,145 | 198,345 | 85,140 |
| Russia ... ... ... | 1,720,876 | — | 1,720,876 | 1,205,070 |
| Spain and Portugal ... | 1,218,740 | — | 1,218,740 | 1,051,060 |
| Malta .. ... ... | 58,000 | — | 58,000 | 2,200 |
| Constantinople... ... | 97,500 | — | 97,500 | 1,472,378 |
| Alexandria ... ... | 416,668 | — | 416,668 | 225,580 |
| Aden ... ... ... | 700 | 300 | 1,000 | 500 |
| Ceylon ... .. ... | 93,100 | — | 93,100 | 18,655 |
| Bombay ... ... | 263,127 | 2,316,875 | 2,580,002 | 2,399,400 |
| Madras .. ... ... | 74,495 | 7,730 | 82,225 | 141,588 |
| Calcutta ... .. | 1,625 | 163,100 | 164,725 | 314,103 |
| Singapore ... ... | 4,650 | 171,495 | 176,145 | 459,781 |
| Penang .. ... ... | 500 | 4,750 | 5,250 | 38,501 |
| Hong-Kong ... ... | — | 622,341 | 622,341 | 668,120 |
| Shanghai ... ... | — | 713,961 | 713,961 | 493,872 |
| Foo-chow-foo ... ... | — | 8,119 | 8,119 | 20,044 |
| Cape of Good Hope, Cape Verd, & Sierra Leone | 5,200 | 6,150 | 11,350 | 9,900 |
| United States ... ... | 29,000 | — | 29,000 | 13,050 |
| Mexico, Central America, West Indies, &c. ... | 72,700 | 44,614 | 117,314 | 101,445 |
| Brazils ... ... ... | 1,031,560 | — | 1,031,560 | 258,324 |
| British North America | — | 2,500 | 2,500 | 232,800 |
| Total . . £ | 8,501,201 | 5,133,395 | 13,634,596 | *12,564,751 |

* Of this sum, £7,276,462 was gold and £5,288,289 silver.

| | Gold. | Silver. | Total. |
|---|---|---|---|
| The following amounts have been exported from Marseilles to India, China, Reunion, Mauritius, &c., between January 1 and June 20, 1863 ... | £2,340,500 | £3,400,000 | £5,740,500 |

IMPORT OF BULLION INTO LONDON FROM THE UNDER-MENTIONED PLACES DURING THE HALF-YEAR ENDING JUNE 30, 1863.

| 1863. | Gold. | Silver. | Total. | Corresponding period, 1862.—Total. |
|---|---|---|---|---|
| | £. | £. | £. | £. |
| Belgium ... ... | 5,400 | 343,130 | 348,530 | 405,360 |
| France ... ... .. | 14,308 | 526,314 | 540,622 | 686,774 |
| Hanse Towns .. ... | 164,680 | 549,120 | 713,800 | 1,213,505 |
| Holland ... . | 78,100 | 250 | 78,350 | 152,500 |
| Russia ... ... . | 761,900 | — | 761,900 | 34,600 |
| Spain and Portugal .. | 1,100 | 23,900 | 25,000 | 76,607 |
| Gibraltar ... .. | 32,000 | — | 32,000 | 802 |
| Malta ... ... ... | — | 1,980 | 1,980 | 1,000 |
| Constantinople .. . | 96,000 | — | 96,000 | 2,000 |
| Alexandria ... ... | — | — | — | 545 |
| Cape of Good Hope, Cape Verd, & Sierra Leone | 44,000 | — | 44,000 | 43,996 |
| United States .. .. | 3,908,670 | 560,000 | 4,468,670 | 3,895,760 |
| Mexico, Central America, West Indies, &c. | 2,425,203 | 3,125,250 | 5,550,453 | 2,584,474 |
| Brazils ... ... ... | 24,000 | — | 24,000 | 174,945 |
| British North America .. | 60 | 38,540 | 38,600 | 51,000 |
| Australia ... .. | 2,706,900 | — | 2,706,900 | 3,096,353 |
| New Zealand ... .. | 350,000 | — | 350,000 | 258,200 |
| Total . . £ | 10,612,321 | 5,168,484 | 15,780,805 | *12,677,421 |

* Of this sum, £8,094,418 was gold and £4,583,003 silver.

N.B.—The above statements of the bullion movements of the half-year ending June 30 are taken from Messrs. Pixley, Abell, & Langley.

PRICE OF GOLD AT CALCUTTA, PER TOLA OF 23 CARATS, SHOWING AVERAGE PER OUNCE OF 22 CARATS.

| Year. | Jan. | February. | March | April. | May. | June. | July. | August. | Sept. | October. | Nov. | Dec. | Average per Tola of 23 carats. | Average per oz. of 22 carats, at 2s. per Rupee |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | R. A. | R. A. P. | R. A. | R. A. P. | R. A. | R. A. P. | R. A. P. | R. A. P. | R. A. | R. A. P. | R. A. P. | R. A. P. | R. A. P. | £. s. d. |
| 1853 | 15 3 | 15 4 0 | 15 9 | 15 9 0 | 15 8 | 15 9 0 | 15 4 0 | 15 0 0 | 15 10 | 15 10 0 | 15 10 0 | 15 10 0 | 15 7 2 | 3 18 10 |
| 1854 | 15 4 | 15 2 6 | 15 0 | 15 4 0 | 15 1 | 15 4 0 | 15 4 0 | 15 11 6 | 15 12 | 15 12 0 | 16 0 0 | 16 6 0 | 15 7 9 | 3 19 0 |
| 1855 | 15 12 | 16 0 0 | 16 0 | 15 14 0 | 15 12 | 15 9 0 | 15 6 0 | 14 14 0 | 15 0 | 14 14 0 | 15 0 0 | 14 10 0 | 15 6 3 | 3 18 6 |
| 1856 | 14 9 | 14 9 0 | 14 9 | 14 12 0 | 14 10 | 14 11 0 | 14 9 0 | 14 11 0 | 14 11 | 14 14 0 | 15 2 0 | 15 2 0 | 14 11 9 | 3 15 2 |
| 1857 | 14 14 | 15 2 0 | 15 3 | 15 3 0 | 15 4 | 15 5 0 | 15 5 6 | 15 7 0 | 16 0 | 15 6 0 | 15 2 0 | 15 0 0 | 15 4 3 | 3 17 11 |
| 1858 | 15 4 | 15 5 0 | 15 3 | 15 6 0 | 15 6 | 15 10 6 | 15 9 0 | 15 6 0 | 15 7 | 15 10 6 | 15 10 6 | 15 14 6 | 15 7 8 | 3 19 0 |
| 1859 | 15 13 | 15 13 0 | 15 14 | 16 2 6 | 16 3 | 15 11 0 | 15 14 0 | 16 2 0 | 16 5 | 16 5 0 | 15 14 0 | 15 11 0 | 15 15 7 | 4 1 6 |
| 1860 | 15 12 | 15 7 0 | 15 3 | 15 4 0 | 15 12 | 15 2 0 | 15 12 0 | 15 14 0 | 15 12 | 15 12 0 | 15 12 0 | 15 9 0 | 15 9 3 | 3 19 6 |
| 1861 | 15 8 | 15 9 0 | 15 12 | 15 8 0 | 15 8 | 15 6 0 | 15 2 0 | 15 4 0 | 15 9 | 15 6 0 | 15 8 0 | 15 8 0 | 15 7 4 | 3 18 10 |
| 1862 | 15 10 | 15 11 0 | 15 12 | 15 10 0 | 15 8 | 15 6 0 | 15 8 0 | 15 4 0 | 15 5 | 15 7 0 | 15 8 0 | 15 8 0 | 15 8 1 | 3 19 1 |
| 1863 | 15 6 | 15 7 0 | 15 6 | 15 8 0 | 15 12 | 15 15 0 | 15 9 0 | 15 6 0 | ... | ... | ... | ... | 15 8 8 | 3 19 3 |
| | | | | | | | | | | Average per oz. of 22 carats ... | | | £ | 3 18 9 |

THE PRICE OF BAR SILVER PER OUNCE STANDARD, IN LONDON.

| Year. | Jan. | Feb. | March. | April. | May. | June. | July. | August. | Sept. | Oct. | Nov. | Dec. | Average. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *s. d.* | *s. d.* | *s. d.* | *s. d.* | *s. d.* | *s. d.* | *s. d.* | *s. d.* | *s. d.* | *s. d.* | *s. d.* | *s. d.* | *s. d.* |
| 1853 | 5 $1\frac{3}{8}$ | 5 $1\frac{3}{8}$ | 5 $1\frac{3}{8}$ | 5 $1\frac{3}{8}$ | 5 1 | 5 1 | 5 $1\frac{3}{8}$ | 5 $1\frac{7}{8}$ | 5 $1\frac{7}{8}$ | 5 $1\frac{3}{4}$ | 5 $2\frac{1}{4}$ | 5 $1\frac{5}{8}$ | 5 $1\frac{1}{2}$ |
| 1854 | 5 $1\frac{1}{2}$ | 5 $1\frac{5}{8}$ | 5 $1\frac{7}{8}$ | 5 $1\frac{3}{4}$ | 5 $1\frac{3}{8}$ | 5 $1\frac{1}{2}$ | 5 $1\frac{1}{4}$ | 5 $1\frac{3}{8}$ | 5 $1\frac{1}{4}$ | 5 $1\frac{1}{4}$ | 5 $1\frac{1}{4}$ | 5 $1\frac{5}{8}$ | 5 $1\frac{1}{2}$ |
| 1855 | 5 $1\frac{1}{2}$ | 5 $1\frac{1}{2}$ | 5 $1\frac{1}{2}$ | 5 $1\frac{5}{8}$ | 5 $1\frac{3}{8}$ | 5 $1\frac{1}{2}$ | 5 $1\frac{5}{8}$ | 5 $1\frac{3}{4}$ | 5 $1\frac{1}{2}$ | 5 $1\frac{1}{4}$ | 5 $1\frac{3}{8}$ | 5 $1\frac{3}{8}$ | 5 $1\frac{1}{2}$ |
| 1856 | 5 $1\frac{1}{4}$ | 5 $1\frac{1}{8}$ | 5 1 | 5 $1\frac{1}{8}$ | 5 $1\frac{1}{8}$ | 5 $1\frac{1}{2}$ | 5 $1\frac{1}{4}$ | 5 $1\frac{1}{2}$ | 5 $1\frac{5}{8}$ | 5 2 | 5 $2\frac{1}{8}$ | 5 $1\frac{3}{4}$ | 5 $1\frac{3}{8}$ |
| 1857 | 5 $1\frac{7}{8}$ | 5 $1\frac{3}{4}$ | 5 $1\frac{3}{4}$ | 5 $1\frac{3}{4}$ | 5 $1\frac{3}{8}$ | 5 $1\frac{7}{8}$ | 5 $1\frac{1}{2}$ | 5 2 | 5 $1\frac{1}{2}$ | 5 $1\frac{7}{8}$ | 5 $1\frac{1}{4}$ | 5 $2\frac{1}{4}$ | 5 $1\frac{3}{4}$ |
| 1858 | 5 $1\frac{1}{2}$ | 5 $1\frac{5}{8}$ | 5 $1\frac{3}{4}$ | 5 $1\frac{1}{4}$ | 5 $1\frac{1}{4}$ | 5 $1\frac{1}{2}$ | 5 $1\frac{1}{8}$ | 5 $0\frac{3}{4}$ | 5 $0\frac{3}{4}$ | 5 $1\frac{1}{8}$ | 5 $1\frac{3}{4}$ | 5 $1\frac{1}{2}$ | 5 $1\frac{1}{4}$ |
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